Electrocomponents plc
Annual Report and Accounts
for the year ended 31 March 2016

www.electrocomponents.com
Stock Code: ECM

Who we are

Electrocomponents is a high-service distributor serving small-order requirements in the Industrial and Electronics markets, through the trading brands of RS Components (RS) and Allied Electronics (Allied). We have a broad base of over one million customers to whom we distribute more than 500,000 products from 2,500 leading suppliers.

At a glance

- **Global market leader**
- **Large, fragmented and growing marketplace**
- **Industry-leading digital business**
- **Highly profitable own-brand business**
- **Strong balance sheet**

Performance

Revenue	£1,291.1m	2015: £1,266.2m
Underlying revenue growth	2.8%	2015: 3.5%
Headline profit before tax	£76.8m	2015: £80.1m
Headline earnings per share	12.6p	2015: 13.2p
Headline free cash flow	£62.6m	2015: £52.3m
Dividend per share	11.75p	2015: 11.75p

As you may have noticed, our Annual Report is different this year. We have reduced the physical size of the document, cut down on the use of photography and presented our key messages in a clearer and more concise way. This is consistent with our 'simplify – operate for less' priority to reduce cost and complexity wherever we can within our Group.

Welcome to our 2016 Annual Report

> "We are committed to improving results. In the second half, we stabilised gross margins, lowered costs, returned the UK business to growth and reinvigorated RS Pro. We are at the start of the journey - the potential is significant."
>
> **Lindsley Ruth**
> Chief Executive Officer

Dear Shareholder

I joined Electrocomponents on the first day of fiscal 2016, so this report represents one full year leading this organisation. It did not take me long to realise the potential of our Company. We have a large, fragmented and growing marketplace, strong brands and a huge, loyal customer base. We also have some hidden gems within our organisation such as our own-brand range and DesignSpark, our online design community and resource centre for engineers.

However, we also had some clear challenges. Our largest market by profits, the UK, had been in decline for two and a half years. Our own-brand business – the only products we sold for our first 48 years and an attractive gross margin business – had been neglected and was falling as a percentage of sales. Our Asia Pacific business, launched in 1995, was still losing money. Overall, our costs were way too high and our customer service was not where it should be.

During 2016, we began a journey to transform our customer experience and our financial performance. I firmly believe that cultural change needs to start at the top. As such, a great deal of my focus this year has been to get the right leaders in place to take this organisation forward (see new management appointments on page 8). We also announced a major Performance Improvement Plan (PIP) in November (see pages 4 to 9). As part of this plan, we reorganised the Company to simplify the way we do business and announced an initial target of £25 million annualised savings.

I am pleased to say we have made good early progress on our PIP. We delivered higher than targeted savings of £7 million in 2016 and we are confident of delivering savings of £15 million in 2017 giving annualised savings of at least £25 million by March 2018. During the second half of the year we stabilised the gross margin, returned the UK business to growth and saw an acceleration in the revenue growth of our own-brand business, RS Pro. There remains a lot to do but we have a clear plan and are committed to driving improved performance.

Our strategy is based on five priorities. Delivering a best-in-class customer and supplier experience is central to everything we do. In order to be successful with this we need a high-performance culture, increased innovation and operational excellence. Finally we must use our strong free cash flow to reinvest both organically and via acquisition to accelerate the growth we can deliver in the future.

Lindsley Ruth
Chief Executive Officer
19 May 2016

Strategic Report

Corporate Governance

Financial Statements

Shareholder Information

Chairman’s Introduction

“The actions announced in November have already led to improvements in performance. In the second half, we stabilised the gross margin, delivered cost savings of £7 million and consequently increased profit before tax by 14.3% at constant currency, compared to a 12% reduction in the first half.”

Peter Johnson
Chairman

2016 was a year of great progress for the Group. This began with the appointment of Lindsley Ruth as Chief Executive Officer (CEO) on 1 April. He has brought a refreshingly direct and high-energy approach to strengthening the management team and addressing the weaknesses in the business. He has made important changes to the leadership team through the year, culminating in the appointment of David Egan as Group Finance Director towards the end of the year. The Board is delighted by the straightforward approach of this new management team and is confident they will deliver a step change in performance in the business.

Whilst Lindsley took firm action from the start, the first major public step was his announcement of the Performance Improvement Plan (PIP) in November (see pages 4 to 9). Progress so far has been encouraging. We exceeded our targets and delivered £7 million of savings in 2016 and are confident of delivering annualised net savings of at least £25 million by March 2018. We see many further opportunities to deliver efficiencies from simplifying our business and we remain committed to delivering a step change in how we perform, benefiting our suppliers, customers, employees and shareholders.

Trading performance

2016 was a year of two halves, with the new management approach beginning to yield benefits to costs and margins during the second half, despite revenue growth being impacted by a tougher market in North America and expected disruption from our major restructuring in Asia Pacific. Whilst full-year underlying sales growth (adjusted for trading days and currency movements) was 2.8%, second-half growth slowed to 1.9% from 3.7% in the first half. Encouragingly, we saw continued strong second-half revenue growth in Europe whilst the UK business exited the year with its first four consecutive months of growth for 31 months and this trend has continued into the first six weeks of the current year.

Full-year headline profit before tax fell 4.1% with all the decline due to the stronger pound. At constant exchange rates profit before tax was flat, with gross margins down 0.8 percentage points and costs at constant exchange rates up 1.3%. The actions announced in November have already led to improved underlying profitability during the second half. Gross margins stabilised, with the year-on-year constant currency decline reducing to 0.5 percentage points in the second half versus 1.2 percentage points in the first half. Cost savings of £7 million were delivered during the second half and as a result constant currency costs fell 0.4% in the second half, which compared with a rise of 3.0% in the first half. Consequently, year-on-year profit before tax rose 14.3% in the second half at constant currency compared to a 12.3% decline in the first half.

Cash generation also improved in the second half leading to full-year headline free cash flow of £62.6 million, compared with just £11.8 million in the first half and £52.3 million in the prior year.

Account re-presentation

The business has been reorganised to increase accountability and transparency as well as improve efficiency. We have therefore re-presented our accounts to show a profit and loss for each regional hub: Northern Europe, Central Europe, Southern Europe, North America and Asia Pacific (which includes our emerging markets operations). This highlights that we are not currently making acceptable returns in all our hubs. However, it also shows the significant potential of the business to deliver attractive returns in regions such as North America, where we do get the customer experience, accountability and cost structure right. Going forward, we aim to drive improved returns in all the hubs. We are restructuring our activities in Asia Pacific to improve the customer experience in this region and drive improved returns (see page 9 for more details).

EU referendum

Electrocomponents is a global business with over 70% of revenues derived from outside the UK. We employ over 2,500 people in the UK, which operates as a central distribution hub for our global business. 80% of our purchases for the global RS brand are routed through the UK to serve our international customer base. We currently benefit from the UK being a full member of the Single Market, so there are no barriers, financial or administrative, which obstruct trade between the UK and the countries of the European Union (EU). We therefore believe the UK's continued membership of the EU and active role at the heart of the Single Market is critical if the UK is to remain a strong home for businesses like ours. In preparation for the referendum on EU membership, we undertook a risk assessment and identified the actions we would consider should this referendum lead to an exit from the EU. Whilst the longer-term impact on the UK as a whole would remain uncertain, our strong distribution footprint in Continental Europe would enable us to minimise the financial impact on our business.

Dividend

The Board recognises the importance of dividends to shareholders. Whilst profitability has fallen in recent years, we expect the action being taken by the new management team will lead to this recovering. Meanwhile, our strong balance sheet enables us to propose an unchanged final dividend for the year of 6.75 pence per share. This will be paid on 26 July 2016 to shareholders on the register on 17 June 2016. The total dividend for the year will therefore be 11.75 pence per share, resulting in headline earnings dividend cover of 1.1x.

Board and governance

As required by corporate governance best practice, Rupert Soames will step down as a Non-Executive Director at the AGM after nine years on the Board, seven of them as Senior Independent Director and five as Chairman of the Remuneration Committee. During a difficult time for me, Rupert stepped up to the role of Chairman of the Company despite the huge pressures on his time. I remain enormously grateful for his support. Rupert's contribution in all these roles has been immense and we will miss him greatly. I would also like to thank Simon Boddie, who stepped down as Group Finance Director at the end of September. Our strong balance sheet and excellent internal financial controls are their own tribute to his contribution. I am delighted to welcome David Egan, who joined our Board as Group Finance Director on 1 March 2016. David brings outstanding experience in driving transformational performance in international businesses.

The Board and its Committees continued to work effectively to monitor the performance of the Group and compliance with its policies. There is more detail in the Corporate Governance Report on pages 38 to 42. This year's internal Board evaluation was led by the Company Secretary and included my own discussions with individual Board members. Its conclusions, together with completed actions arising from last year's evaluation, are on page 41.

Corporate responsibility

As a member of the FTSE4Good Index, corporate responsibility is integral to our business. Our greatest focus is on our employees, through ensuring a safe and healthy working environment and engaging them fully in our business. We are strongly committed to being good citizens, playing a full part in the communities in which we operate and controlling our impact on the environment. The Board provides clear leadership in all these areas. More on our approach to corporate responsibility can be found on pages 27 to 31.

Employees

The Board is excited by the increased pace of change and culture of accountability emerging at Electrocomponents and is really pleased with the enthusiasm with which our employees are responding. On behalf of the Board, I would like to thank them all.

Peter Johnson
Chairman
19 May 2016

CEO's Review
Our Strategic Priorities

> Our ambition is to be the first choice for customers, connecting them with the parts and solutions they need to succeed, whilst inspiring innovation in industry.

Lindsley Ruth
Chief Executive Officer

Our strategic priorities

Best customer and supplier experience

- Target growth in Industrial and Electronics markets
- Excel at the basics for our customers and suppliers
- Drive market share gains

High-performance culture

- Accountable, responsive organisation
- High-performing, diverse, global talent base
- Strong leadership capability

Operational excellence

- Simplify - operate for less
- Continuous improvement on service and cost
- Maximise free cash flow

Innovation

- Introduce differentiated products and solutions
- Embed innovation in the organisation culture
- Reinvigorate and transform RS Pro

Reinvest to accelerate growth

- Invest in the business to drive organic growth
- Selective bolt-on acquisitions
- Drive attractive returns for shareholders

The first step to drive our strategic priorities through our business was the launch of the Performance Improvement Plan (PIP) in November. Distribution is a simple business, where superior returns depend on best-in-class execution. In the past we have overcomplicated our business and lost sight of what should be at the heart of our business: the customer. Our PIP focuses on our first three strategic priorities: improve the customer and supplier experience; drive an accountable and high-performance culture; and constantly strive for operational excellence via simplification and operating for less. Early progress on the implementation of the PIP has been encouraging and during the second half of 2016 we delivered £7 million of savings, which was ahead of target. We are confident we will deliver at least £25 million of annualised net savings by March 2018. We are still very much at the start of the journey and, while we have increased the pace of change in our organisation, the potential remains significant.

Superior results for customers, suppliers and shareholders

Performance Improvement Plan

Performance Improvement Plan – an update

1 Improve customer experience

The roots of our organisation lie in a strong customer service ethic. However, recent customer feedback shows that we are no longer consistently delivering the service customers expect from us. As a result we see scope for improvement in our global NPS (Net Promoter Score - a measure of customer satisfaction), one of our seven KPIs (see pages 14 and 15). Our regional results show that customer satisfaction scores differ significantly by region. There is also a strong correlation between high customer satisfaction scores, market share and high returns, with those regions/countries which have the highest customer service ratings, such as the UK and the US, also generating the most attractive returns. Therefore, improving the customer experience and putting the voice of the customer at the heart of our organisation is a key priority for the Group.

Executing a value proposition to win the customer

We need to become the first choice for suppliers and customers and understand their needs; this means executing a value proposition to win the customer. Our value proposition is to excel at the basics, which means we need to be easy to do business with, have the right range and high availability and be able to consistently deliver on time and to promise. We will then use our knowledge and sector-specific expertise to drive more innovative solutions to offer a truly differentiated customer experience, which in turn will drive market share gains and higher returns for the Group.

Excel at the basics
(Ease, service, range)

Differentiate
Knowledge and sector-specific expertise/solutions

Superior customer and supplier experience

Stronger sales growth and stable gross margins

CEO's Review
Performance Improvement Plan

Actions in 2016

Ease of doing business	Product availability and range	Service reliability
○ Roll-out of 'Voice of the Customer' ○ Over 60,000 improvements to online search ○ Over 30% improvement in site speed ○ Online content improvements, more high resolution images	○ Development of global planning tool ○ Introduction of new global compliance system to ensure we can move products around the global network compliantly ○ Launch of RS Pro	○ Introduction of voice picking in Nuneaton and Bad Hersfeld leading to a significant reduction in picking errors ○ Proactive communications introduced, alerting customers when there is an issue with an order

Focus for 2017

Ease of doing business	Product availability and range	Service reliability
○ Further acceleration of improvements to search, online content and site speed ○ Improvements in packaging options and visibility of those options online ○ Introduce product traceability across relevant product categories ○ Improve quotation capability	○ New KPIs to improve stock availability in top sellers and most searched for items ○ Implement global planning tool globally ○ Clearer labelling of available stock and transparency of despatch date across all products	○ Introduce parcel tracking in selective markets and keep customers informed of delivery including parcel arrival ○ Introduce forward and scheduled ordering

Excel at the basics

Since the introduction of 'Voice of the Customer' (VOC), our real-time customer feedback system, in April 2015, we have received over 85,000 responses. We have also rolled out Adobe Analytics, market-leading digital tooling during the year, which gives us further insight into our customers' online behaviour. As such, we now have detailed insight into what our customers believe to be the key pleasure and pain points in their online and offline experiences. This research gives us a priority fix list to improve the basic customer experience with our organisation. The table above summarises the key initiatives we have focused on in these areas during 2016 and what we plan to focus on during 2017 to bring fast and tangible benefits to our customers.

Improving the digital experience

eCommerce represents 60% of our Group sales and over 65% of RS sales and as such, improving our online experience is central to delivering a best-in-class customer experience. Since our decision to reallocate spend from developing a new website to driving improvements on our existing website, we have had four web experience teams purely focused on fixing the key pain points in the online customer journey. This has significantly accelerated improvements to our online experience. In the year as a whole we have delivered 60,000 customer-benefiting features or improvements across areas including search, site speed and content. The outcome of this work has been a significant improvement in our customer satisfaction rating, with an improvement of over 30% improvement in site speed during the period, and the highest level of online conversion and growth in RS online sales for three years.

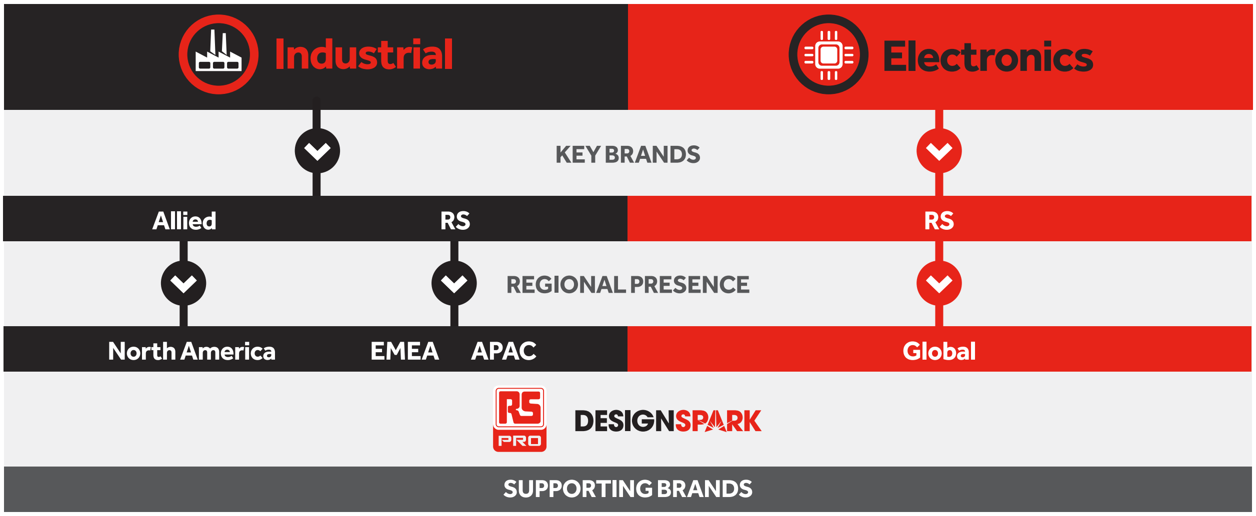
Moving into 2017 we plan to invest more resource to further accelerate improvements to our online offer. We are building digital centres of excellence in London and Corby, where we will co-locate teams from IT and eCommerce to drive an improved customer experience. We will further accelerate improvements in search with algorithm developments and search platform upgrades, drive further speed gains and continue to enhance our online content.

Differentiate

Our goal is to move from a position where we distribute parts to a position where we provide solutions for our customers, enabled by our sector-specific expertise, data and insight. The buildout of divisional capabilities in Industrial and Electronics will help us to develop more differentiated solutions for these key customer groups and as such introduce more innovation into our offer.

We already have pockets of innovation within our organisation; one area which I think has significant future potential is DesignSpark, our online engineering community that offers engineers access to: free CAD design tools; technical data; and relevant and unique content. DesignSpark sits in a sweet spot, where it allows us to engage with our customers on subjects they feel passionate about, such as new technologies and product design, and thereby helps us ensure more RS part numbers get included into more new product designs. It also provides us with more insight into electronics and industrial design trends, which is extremely valuable to our supplier base. DesignSpark has been developed with minimal investment to date and yet it already has around 440,000 members and around 600,000 page views per month. We see significant potential for this part of the business and will increase our investment in it in the future.

Looking forward, one of the reasons I have appointed a Chief Innovation Officer is to ensure that we build a more proactive innovation agenda within our organisation, which is essential if we want to move from being good to being best in class. To excel at the basics is just the first step; the next step is to build increased innovation and value creation into our offering.



2 Increase accountability

We are undertaking significant work to increase accountability within the Company with a simpler organisation structure, new management appointments and changes to our incentive plans. Encouragingly, we are already beginning to see evidence of these changes leading to improved results in some key parts of our business such as the UK (see Northern Europe on page 11) and RS Pro (see page 9).

New organisation structure

During the year we reorganised the Group to focus on the Industrial and Electronics markets. We are building divisional capabilities in Industrial and Electronics to improve customer service and provide more differentiated solutions to our customers and suppliers in these two end markets. We will serve the Industrial markets via the Allied brand in North America and RS in Europe and the rest of the world. Meanwhile, RS will serve Electronics customers globally.

In addition to building divisional capabilities, we are running the business as five regional hubs: Northern Europe, Central Europe, Southern Europe, North America and Asia Pacific. The Group will operate with regional hub profit and loss accountability, allowing us to determine the appropriate operating model for each country and region depending on the profit opportunity. This new structure is not only more customer focused, with one interface to the customer, but also devolves more accountability to the hubs, bringing decision making in areas such as range, marketing and price closer to the end customer. Finally, the allocation of costs to the hubs will provide a healthy check and balance over costs, which will drive a leaner and more efficient organisation.

In this Annual Report, we have re-presented our accounts to reflect the new operating structure. This change gives full visibility to our stakeholders, both external and internal, as to the returns we make in each regional hub. Our restatement not only reveals the attractive returns we make in markets such as Northern Europe and North America, but also the major opportunity to improve performance in regions like Asia Pacific. This visibility is key as we move to become a more results-orientated organisation.

CEO's Review
Performance Improvement Plan

Name	Biography	Title	Date Appointed
Kurt Colehower	Kurt was President of the Americas Components Group of Arrow Electronics. He also held senior positions at Solectron Corporation.	President RS Pro	June 2015
Alex von Schirmeister	Alex spent ten years in senior management positions at eBay, culminating in Vice President of eBay EMEA. He also worked for Telefonica, Booz Allen & Hamilton, and Procter & Gamble.	Chief Innovation Officer	November 2015
Mikael Malm	Mikael was Chief Operation Officer and Executive Vice President at Efore Oyj, Director of Supply Chain Management at Huawei, and Head of Sourcing and Supply at Ericsson Saudi Arabia.	Chief Supply Chain Officer	November 2015
David Egan	David was Group Finance Director of Alent plc, Global CFO at ESAB Holdings Ltd, the largest division of Charter International plc, and Group Financial Controller at Hanson plc.	Group Finance Director	March 2016

Driving cultural change

In order to transform the performance of our organisation we need to drive behavioural change. We have to become a more customer-centric organisation, which is both accountable and results focused. We need to keep things simple, talk less and focus more on execution. We will be quicker to innovate and to respond to the needs of our customer and supplier base. We have taken a number of actions this year to start this process of cultural transformation, in the form of new leadership appointments to drive change from the top, the introduction of new internal metrics and KPIs to encourage correct behaviours, and also changes to our incentive scheme.

New management appointments

Cultural change starts with leadership and, as such, a key focus this year has been strengthening and diversifying our management team to make sure we have the right leaders to drive behavioural change across our organisation. We now have a more diverse leadership team. Today, 60% of my Executive Management Team (EMT) are of international origin versus 14% upon my arrival at Electrocomponents. We are a global business and it is therefore important that our leadership team reflects the global nature of our operations. I am extremely pleased by the quality of the leaders we have attracted; they are all highly ambitious and focused on the opportunity to transform the performance of this organisation.

Incentivisation

My goal is to drive a culture of empowerment with accountability within our organisation. We need to set challenging targets but reward delivery. During the year we have begun the process of aligning our incentive schemes and our KPIs, which are focused on customer metrics, efficiency and financial metrics. We are also rebalancing our incentive framework to increase the proportion of variable pay. You can read more on the changes we are proposing to our executive remuneration policies in our Remuneration Report on pages 50 to 73.

Every part matters

RS Pro

RS Pro is an attractive gross margin business, but a historic lack of focus and a confused branding strategy have impacted performance over the last couple of years. As a result, the RS Pro share has fallen as a proportion of Group sales. In June 2015 we appointed a new President of RS Pro, Kurt Colehower, to focus on driving faster growth in our own-brand business. To date progress has been extremely encouraging. We launched own-brand products for the first time in North America in July 2015. In February we collapsed our three own-brand labels - RS Essentials, ISO-TECH and RS Professional - into one simpler and clearer value brand, RS Pro. Longer-term plans include building out the RS Pro range and increasing our product offering in new markets such as North America and Asia Pacific. Results to date are extremely encouraging with RS Pro revenues growing 3.8% in the year and 5.6% in the second half, a strong outperformance versus the Group underlying revenue growth of 2.8% and 1.9% respectively. As a result, RS Pro sales increased to 12.5% of total Group sales during 2016 (2015: 12.4%); longer term we remain committed to further increase the percentage share of RS Pro sales.

3 Simplify – operate for less

When I arrived at Electrocomponents I was struck by the complexity of the organisation. It was extremely clear that by keeping things simple we could drive significant efficiencies. Our gross profit to operating profit conversion ratio (one of our seven KPIs) at 15.1% in 2015 and 14.6% in 2016, remains well below the best in class in our industry. This is a ratio that we see further potential to improve. Progress to date on our Group-wide cost reduction has been pleasing; our conversion ratio improved in the second half to 16.6% (H2 2015: 15.2%). We delivered above targeted savings of £7 million during 2016 and are confident of delivering savings of £15 million in 2017, giving an annualised saving of at least £25 million by March 2018. This process is ongoing; we continue to take actions to simplify our processes in order to drive further efficiencies and savings.

Asia Pacific rescaled to drive a profitable base for future growth

Our current performance in Asia Pacific, both in terms of customer service and financial results, is unacceptable. As a result we took action during the year to streamline our operations across the region and fix the basics so we can improve returns in this region. During the year we downsized the scale of our Asia Pacific operations: reduced headcount by 20%; closed our office and warehouse in Singapore; consolidated offices in China; and moved to a web-based operation in Japan.

We have also made progress during the year on improving the customer experience in Asia Pacific. Our VOC feedback tells us the two key issues for Asia Pacific customers are online experience and service reliability. During the year we accelerated improvements to our online user experience. We took steps to improve service reliability in China by ensuring we increasingly fulfil demand locally out of our Shanghai warehouse. We have also launched new sales effectiveness and customer service initiatives across the region.

Driving higher returns from our capital investment

Part of operating for less is making sure we use our capital effectively and taking tough decisions around the allocation of capital. We need to ensure that every incremental pound we spend will drive timely and tangible commercial benefits to our organisation. As part of this process, we have decided to halt a number of capital investment projects during the year and write down the work that has been capitalised on these projects to date. The most significant of these was our new website development project, which we decided to halt in November. This accounts for £11.2 million of the total non-cash write-down of projects of £15 million. We reallocated IT resources from the new website development to drive faster change on our existing website and I am extremely pleased by the acceleration in improvements in this area.

Looking forward, we need to make sure we continue to have an affordability-based approach to capital investment; we need to keep things simple and remain focused on what we need to do to get the job done. At the half year we reduced our guidance for capital investment to 1.0x depreciation for 2016 and we expect it to remain at this level in the current financial year.

In summary

I am extremely excited by the progress we have made so far in our quest to transform the customer experience and financial performance at Electrocomponents. However, we have only really just started on this journey and we have a great deal more work to do. My broader leadership team and I remain extremely focused on the opportunity and committed to delivering the changes necessary to become a best-in-class distributor for all our stakeholders.

CEO's Review
Business Review

Overall results

	2016	2015	Change	Underlying growth rates[1] FY	H1	H2
Sales	£1,291.1m	£1,266.2m	2.0%	2.8%	3.7%	1.9%
Gross margin	43.5%	44.6%	(1.1)pts	(0.8)pts	(1.2)pts	(0.5)pts
Headline operating profit	£82.0m	£85.2m	(3.8)%	0.2%	(14.6)%	14.2%
Headline operating margin	6.4%	6.7%	(0.3)pts	(0.1)pts	(1.1)pts	0.7pts

1. Underlying adjusted for currency; sales also adjusted for trading days

Group revenue increased by 2.8% at constant currency rates, an increase of 2.0% on a reported basis to £1,291.1 million (2015: £1,266.2 million) driven by strong growth in our European regions, which more than offset market-led declines in North America and the anticipated impact of the restructuring actions taken in Asia Pacific. RS Pro and eCommerce revenues outperformed overall Group growth, with constant currency revenue growth of 3.8% and 6.1% respectively.

Group gross margin at 43.5% was down 0.8 percentage points at constant currency, a reduction of 1.1 percentage points on a reported basis. Geographically, Northern Europe and North America saw broadly stable gross margins, with the declines being seen in Southern Europe, Central Europe and Asia Pacific. Approximately half of the Group decline was driven by transactional foreign exchange, whereby the weaker euro and yen have led to higher cost prices for our European and Asian regions. The balance of the decline was a mixture of product mix impacts and discounts for corporate account customers. Encouragingly, we saw gross margins stabilise during the second-half of the year aided by our own actions on pricing and discounting discipline. Headline operating profits increased 0.2% at constant currency rates, a decrease of 3.8% on a reported basis to £82.0 million (2015: £85.2 million). Group headline operating margins fell 0.1 percentage points at constant currency rates, a 0.3 percentage point reduction at reported rates to 6.4% (2015: 6.7%).

While overall results are still not where they should be, I am pleased by the significant improvement in profitability and momentum we have seen since the initiation of the (PIP) in November. In the second half, a stabilisation in gross margins and higher than targeted cost savings of £7 million drove an improvement in operating margins to 7.3%, a 0.7 percentage point improvement compared to the same period in the prior year at constant exchange rates. As a result, second-half headline operating profits grew year on year by 14.2% at constant currency rates. Whilst there remains a lot to do to deliver the required step change in performance that we are aiming for, this represents a promising start.

Segmental results

In order to increase accountability and transparency, we have reorganised the business to operate with a profit and loss account for each of our regional hubs and one segment containing central costs. We have restated our accounts to reflect this new structure. In the following section I will look at the performance of each of our five hubs: Northern Europe, Central Europe, Southern Europe, North America and Asia Pacific (which includes our emerging markets operations) and the central costs.

Sales

	£m 2016	2015	Change % Change	Underlying[1]
Northern Europe	384.2	383.4	0.2%	1.4%
Southern Europe	250.4	239.0	4.8%	11.8%
Central Europe	173.4	169.2	2.5%	9.5%
Europe	808.0	791.6	2.1%	6.2%
Asia Pacific	163.1	171.9	(5.1)%	(2.4)%
North America	320.0	302.7	5.7%	(2.4)%
Group	1,291.1	1,266.2	2.0%	2.8%

Headline operating profit

	£m 2016	2015	Change % Change	Underlying[1]
Northern Europe	68.3	68.0	0.4%	2.4%
Southern Europe	23.0	25.5	(9.8)%	0.0%
Central Europe	6.3	7.4	(14.9)%	3.3%
Europe	97.6	100.9	(3.3)%	1.9%
Asia Pacific	(21.9)	(21.6)	(1.4)%	3.1%
North America	36.3	38.7	(6.2)%	(12.3)%
Hub contribution	112.0	118.0	(5.1)%	(2.3)%
Central costs	(30.0)	(32.8)	8.5%	8.5%
Group	82.0	85.2	(3.8)%	0.2%

Headline operating margin

	% 2016	2015	Change % Change	Underlying[1]
Northern Europe	17.8%	17.7%	0.1pts	0.3pts
Southern Europe	9.2%	10.7%	(1.5)pts	(1.1)pts
Central Europe	3.6%	4.4%	(0.8)pts	(0.3)pts
Europe	12.1%	12.7%	(0.6)pts	(0.5)pts
Asia Pacific	(13.4)%	(12.6)%	(0.8)pts	0.1pts
North America	11.3%	12.8%	(1.5)pts	(1.5)pts
Hub contribution	8.7%	9.3%	(0.6)pts	(0.4)pts
Group	6.4%	6.7%	(0.3)pts	(0.1)pts

1. Underlying adjusted for currency; sales also adjusted for trading days

Northern Europe

	2016	2015	Growth	Underlying growth[1]
Sales	£384.2m	£383.4m	0.2%	1.4%
Operating profit	£68.3m	£68.0m	0.4%	2.4%
Operating margin	17.8%	17.7%	0.1pts	0.3pts

1. Underlying adjusted for currency; sales also adjusted for trading days

The Northern European hub consists of the UK, Ireland and Scandinavia and is our most profitable hub. The UK is the main market for this hub and accounts for c. 90% of the hub's revenue. Our UK business is the market leader, supported by 16 trade counters with a local stock profile, located in the UK's key industrial towns and cities.

Overall, Northern European revenue increased by 1.4% at constant currency rates, an increase of 0.2% on a reported basis to £384.2 million (2015: £383.4 million). Constant currency revenue growth increased to 2.6% during the second half driven by a recovery in revenue growth in the UK. eCommerce revenue, which accounts for 68% of hub revenue, grew at 3.9% on a constant currency basis and RS Pro sales, which account for 22% of revenue, grew at 1.6% on a constant currency basis. Operating profit increased by 2.4% at constant currency rates, an increase of 0.4% on a reported basis to £68.3 million (2015: £68.0 million). Operating margins rose 0.3 percentage points at constant currency, 0.1 percentage points on a reported basis to 17.8% (2015: 17.7%) aided by an improvement in gross margins in the second half and tight cost control.

UK performance

The improvement in performance in the Northern European hub has been driven by a return to revenue growth in the UK. The UK exited the year with its first four consecutive months of growth for 31 months and this has continued into the first six weeks of the current financial year. Growth in March was partly aided by the launch of Raspberry Pi 3, but even excluding this the UK was still in low single-digit growth.

Over the last 12 months we have seen a great deal of activity, with a focus in particular on corporate accounts, tools and consumables, and improvements to the online experience. However, our activities in the UK took a step change in pace in the second half, with the reinstatement of local profit and loss accountability and the appointment of a new leader to head up the Northern European hub. New management has quickly assembled a high-performing cross-functional leadership team for the UK, which is driving a common go-to-market approach in the UK. The new UK leadership team has set stretching targets and objectives and brought a new sense of energy and accountability to the staff. There has been a particular focus on sales productivity improvements, especially in customer contact frequency, through both the sales and customer service teams.

These changes and some significant improvements to the customer experience, both in terms of the offline and online experience (see page 6), have been key in driving improved performance in the UK. During the year, we saw corporate accounts back in growth and improved results with our smaller and medium-sized accounts. Looking forward, I am extremely excited by the opportunity in the UK. The UK market, similar to the global market, remains highly fragmented and as such, while we are market leaders our share remains low. With a continued focus on the customer and supplier experience and simplification of our go-to-market approach, we have further opportunity to increase our market share.

Southern Europe

	2016	2015	Growth	Underlying growth[1]
Sales	£250.4m	£239.0m	4.8%	11.8%
Operating profit	£23.0m	£25.5m	(9.8)%	0.0%
Operating margin	9.2%	10.7%	(1.5)pts	(1.1)pts

1. Underlying adjusted for currency; sales also adjusted for trading days

The Southern European hub consists of France, Italy, Spain and Portugal. France is the main market for this hub and accounts for approximately two-thirds of the hub's revenue.

Overall, Southern European revenue increased by 11.8% at constant currency rates, an increase of 4.8% on a reported basis to £250.4 million (2015: £239.0 million), with all countries contributing to this strong performance. Growth remained strong throughout the year, with double-digit underlying growth trends in both halves. France saw double-digit growth aided by a strong performance from our corporate accounts. We have been very successful in France at identifying and focusing on high-potential accounts, and as a result, we believe we are taking share in this market. Spain was a standout performer in the hub, helped in part by strong Raspberry Pi growth throughout the year. eCommerce revenue, which accounts for 72% of hub revenue, was up 13.1% on a constant currency basis, outperforming the underlying hub growth rate. RS Pro, which accounts for 15% of revenue in the hub, grew at 13.2% on a constant currency basis.

Operating profits were broadly flat at constant currency rates, a decline of 9.8% on a reported basis to £23.0 million (2015: £25.5 million). Operating margins fell 1.1 percentage points at constant currency, a decline of 1.5 percentage points at reported rates to 9.2% (2015: 10.7%). The hub saw a reduction in gross margins primarily driven by foreign exchange movements but also impacted by a higher mix of lower-margin corporate account business in France and Raspberry Pi sales in Spain. Cost reduction moves offset the decline in gross margin and an increase in supply chain costs in the region. While supply chain costs reduced on an underlying basis with the closure of our Spanish warehouse, overall costs were impacted by c. £1.5 million of one-off costs in the year mainly due to a rate rise and back payment of rates following the reclassification of our French warehouse. Excluding this one-off, the operating profit margin decline would have been 0.5 percentage points at constant currency rates.

CEO's Review
Business Review

Central Europe

	2016	2015	Growth	Underlying growth[1]
Sales	£173.4m	£169.2m	2.5%	9.5%
Operating profit	£6.3m	£7.4m	(14.9)%	3.3%
Operating margin	3.6%	4.4%	(0.8)pts	(0.3)pts

1. Underlying adjusted for currency; sales also adjusted for trading days

The Central European hub consists of Germany, Austria, Benelux, Switzerland and Eastern Europe. Germany is the main market for this hub and accounts for approximately two-thirds of the hub's revenue.

Overall, Central European revenues increased by 9.5% at constant currency rates, an increase of 2.5% on a reported basis to £173.4 million (2015: £169.2 million). Constant currency revenue growth remained strong throughout the year, but with some moderation in the second half. Germany saw solid growth in the year as a whole, driven by a strong performance in our medium-sized accounts where we continue to focus on driving growth with the factory automation and Internet of Things segments. We also saw standout performances in the smaller markets of Benelux and Eastern Europe, driven by good growth in corporate and medium-sized accounts. eCommerce, which accounts for 72% of revenue in the hub, grew in line with hub revenue with 10.3% growth at constant currency rates. RS Pro, which accounts for 12% of revenue in the hub, grew 8.6% at constant currency rates.

Operating profits were up 3.3% at constant currency rates, a decline of 14.9% on a reported basis to £6.3 million (2015: £7.4 million). Operating margins declined 0.3 percentage points on a constant currency basis, a 0.8 percentage points decline on a reported basis to 3.6% (2015: 4.4%). Increased scale in this region should offer scope for longer-term operating margin upside. During the year we took action to reduce costs, with a headcount reduction of 8% in the region and a 20% improvement in sales productivity. We also exercised strict controls on discounting. Higher sales growth and second-half cost reductions were more than offset by the negative impact of foreign exchange movements upon gross margins.

North America

	2016	2015	Growth	Underlying growth[1]
Sales	£320.0m	£302.7m	5.7%	(2.4)%
Operating profit	£36.3m	£38.7m	(6.2)%	(12.3)%
Operating margin	11.3%	12.8%	(1.5)pts	(1.5)pts

1. Underlying adjusted for currency; sales also adjusted for trading days

The North American hub consists of our Allied business and includes operations in the USA and Canada.

Overall, North American revenues declined 2.4% at constant currency rates, an increase of 5.7% on a reported basis to £320.0 million (2015: £302.7 million). Allied, in line with many of its peers, saw the impact of falling oil and gas markets and weakening US manufacturing output impact market demand from the second quarter of the year. The downturn in the market has led to a reduction in average order value; however, reassuringly we continue to see growth in both customer numbers and average order frequency, suggesting we continue to hold market share in the region. eCommerce revenue, which accounts for 41% of hub revenue, held up well with a decline of 1.0% at constant exchange rates and RS Pro, which was launched in North America during the year, saw fast growth.

Operating profit declined 12.3% at constant currency rates, a 6.2% decline on a reported basis to £36.3 million (2015: £38.7 million). While gross margins were broadly stable during the year, operating margins fell 1.5 percentage points on both a constant currency and reported basis to 11.3% (2015: 12.8%) due to the sudden change in the revenue environment in the US during the second quarter. However, Allied's management team was swift to take action to rightsize the cost base from September. Allied reduced its workforce by 5% and cuts in other areas of discretionary spend, including travel and marketing, drove an overall saving of £2.5 million in 2016. As a result, hub margins stabilised at 11.5% in the second half of the year.

Asia Pacific

	2016	2015	Growth	Underlying growth[1]
Sales	**£163.1m**	£171.9m	(5.1)%	(2.4)%
Operating loss	**£(21.9)m**	£(21.6)m	(1.4)%	3.1%
Operating margin	**(13.4)%**	(12.6)%	(0.8)pts	0.1pts

1. Underlying adjusted for currency; sales also adjusted for trading days

During the year we consolidated our Asia Pacific management team and central resources into our Hong Kong office. The Asia Pacific hub consists of four similarly sized sub-regions: Australia/New Zealand, Greater China, Japan and South East Asia. We also have emerging markets operations in South Africa and Chile and use distributors in other territories.

Overall, Asia Pacific revenue declined 2.4% at constant currency rates, a 5.1% decline on a reported basis to £163.1 million (2015: £171.9 million). Revenue declines worsened during the second half as we saw the anticipated impact of the significant restructuring we are undertaking to drive improved returns in the region. eCommerce, which accounts for 48% of hub revenue, grew 4.8% at constant currency rates and RS Pro, which accounts for 13% of revenue, declined by 6.3% at constant currency rates. Operating losses reduced by 3.1% at constant currency rates, a 1.4% increase on a reported basis to £21.9 million (2015: £21.6 million). Margins in Asia Pacific were up 0.1 percentage point at constant currency rates, down 0.8 percentage points on a reported basis to (13.4)% (2015: (12.6)%). Operating losses reduced on an underlying basis as the impact of lower revenues and a decline in gross margin was more than offset by cost-reduction initiatives.

It is clear that the losses we are making in Asia Pacific are not acceptable and as a result we carried out significant restructuring to improve returns in this region. Whilst our restructuring plan is at an early stage, I am pleased by the progress we made to lower our cost base in 2016. During the first half of the year we closed a distribution centre in Hong Kong and two trade counters in Australia. In the second half, the PIP led to an acceleration in cost-savings initiatives. As part of this restructuring we consolidated the management function in Hong Kong, closed a trade counter in Australia and closed three offices in China. We also closed our Singapore warehouse and office and moved some of our back office operations into the Philippines. In Japan we moved to a primarily web-only presence. Overall during the year we reduced our labour force in the region by around 20%. As expected, this did lead to some disruption to revenues, particularly in the second half of the year, and as a result, the larger revenue declines were seen in the areas most impacted by the restructuring, in particular Singapore, China and Japan. Australia/New Zealand returned to modest growth during the year in spite of a continued tough backdrop for the mining sector. The South East Asia markets saw modest declines overall, with growth in the smaller markets only partially offsetting the anticipated disruption seen in Singapore following the office closure.

Central costs

	2016	2015	Decline	Underlying decline
Headline central costs	**£(30.0)m**	£(32.8)m	8.5%	8.5%

Headline central costs are Group head office costs and include PLC, finance, human resources and legal costs. Central costs of £30.0 million reduced by 8.5% year on year on both a constant currency and a reported basis (2015: £32.8 million), reflecting our ongoing efforts to operate more efficiently. Performance related charges were low in both years reflecting the reported results.

Current trading and outlook

In the first six weeks of the new financial year the Group has delivered constant currency sales growth of 3.5%. Strong trends in Europe continued: Northern Europe grew by 3.5%; Southern Europe grew by 8.2%; and Central Europe grew by 3.7%. North America declined by 1.8% and Asia Pacific grew by 6.8%. We are confident of delivering £15 million of savings in 2017 giving annualised net savings of at least £25 million by March 2018. Work continues to identify further efficiencies. These actions mean we are well positioned to make good progress in 2017.

Measuring our Success
Our key performance indicators

We are focused on driving an improved performance for customers, suppliers and shareholders.

With the introduction of the Performance Improvement Plan we have changed our key performance indicators (KPIs). We now have seven KPIs versus nine historically. The key changes are as follows:

- Group revenue growth, Group operating profit margin, return on capital employed and Group Lost Time Accident Frequency all remain KPIs for the Group.
- We have changed our customer KPI to our RS Net Promoter Score (NPS), which is a measure of customer satisfaction. Historically we had measured growth in customer numbers as a KPI. However, we believe NPS is a more important measure to track as if we get the customer experience and customer satisfaction right across our business, we will not only increase customer numbers but also improve average spend per customer and as such our Group profitability.
- We continue to have a cash flow KPI, but have changed our metric from free cash flow as a percentage of sales, to operating cash flow conversion. As we strive for operational excellence it is important we maximise the amount of cash flow we can drive from the business and convert a high proportion of our operating profit into cash flow.
- Given our focus on operational excellence and operating for less we have introduced a new KPI to measure how efficient we are as a Group. By measuring operating profit as a percentage of gross profit we measure how effective we are at converting gross profit into operating profit.
- eCommerce revenue growth, gross margin and electronics and Automation & Control (A&C) product sales growth are no longer KPIs for the Group. Both eCommerce revenue growth and gross margin remain important drivers for our business and we continue to track them and report on them. However, we no longer track electronics and A&C product sales growth as we are focused on driving growth in all of our product categories and driving the percentage share of our own-brand sales. The historic focus on these two categories has distracted investment and energy from other more profitable areas of the business, in particular our own-brand business.

While full-year performance on KPIs is still not where it should be, we were pleased by the improvement in performance in the second half of 2016.

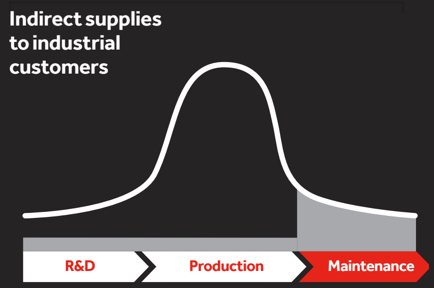
KPI	Why this is important	Past performance	Link to Performance Improvement Plan
Revenue growth **2.8%**	The percentage increase or decrease in ongoing revenue year on year. Growth is adjusted for trading days and currency movements. By driving a differentiated customer experience and providing innovative solutions, we aim to drive market share gains and higher revenue growth.	2016 2.8% 2015 3.5% 2014 2.1% **Second half year-on-year performance** 2016 (H2) 1.9% 2015 (H2) 4.1%	▷ Improve customer experience ▷ Accountable organisation
RS Net Promoter Score **41.0**	There is a good correlation in our business between high customer loyalty scores in a region and that region's financial performance. NPS is a customer satisfaction measure. We measure our rolling ninety-day average NPS for RS, as getting consistently strong customer satisfaction ratings across the globe remains a key priority and will drive stronger financial performance.	2016 41.0	▷ Improve customer experience ▷ Accountable organisation

KPI	Why this is important	Past performance	Link to Performance Improvement Plan
Headline operating profit as % of gross profit **14.6%**	As part of our 'Simplify - operate for less' initiative, we are constantly striving to make our operating model as lean and efficient as possible so we can convert a higher percentage of gross profit into operating profit. Accountability is about each hub, each market and each individual taking responsibility for our performance and constantly questioning whether we can do things more efficiently to drive greater returns.	**2016** **14.6%** 2015 15.1% 2014 18.2% **Second half year-on-year performance** 2016 (H2) 16.6% 2015 (H2) 15.2%	▷ Accountable organisation ▷ Operate for less
Headline operating profit margin **6.4%**	Headline operating profit expressed as a percentage of sales. A great customer experience, a culture of accountability and lean and efficient processes should all drive improvement in operating margins.	**2016** **6.4%** 2015 6.7% 2014 8.3% **Second half year-on-year performance** 2016 (H2) 7.3% 2015 (H2) 6.7%	▷ Improve customer experience ▷ Accountable organisation ▷ Operate for less
Headline operating cash flow conversion **107.3%**	This is defined as headline free cash flow, pre taxation and interest, as a percentage of operating profits. By tight working capital management and disciplined capital investment, we aim to convert a high percentage of our operating profits into operating cash flow.	**2016** **107.3%** 2015 92.7% 2014 82.8% **Second half year-on-year performance** 2016 (H2) 132.6% 2015 (H2) 92.0%	▷ Accountable organisation
Return on capital employed (ROCE) **15.7%**	This is measured as headline operating profit expressed as a percentage of net assets plus net debt. A tight focus on working capital control and more disciplined capital investment, coupled with increased profitability, will drive improved returns.	**2016** **15.7%** 2015 16.4% 2014 20.9%	▷ Improve customer experience ▷ Accountable organisation ▷ Operate for less
Group Lost Time Accident Frequency **0.15***	We are targeting an ongoing reduction in the frequency at which time is lost due to our employees suffering accidents in the workplace. * Number of lost time accidents per 200,000 hours worked	**2016** **0.15** 2015 0.29 2014 0.42	▷ Accountable organisation

Capturing Market Value
Two large and distinct market opportunities globally

Industrial
>£250bn

Marketplace
Our Industrial business primarily focuses on the indirect needs of Maintenance, Repair and Operations (MRO) requirements. As such we serve the demand created at the end of the product life cycle. This marketplace remains highly fragmented and currently we have a global market share of < 5%. The industrial market has historically grown broadly in line with GDP.



Key customer groups

Maintenance engineers
Maintenance engineers are responsible for maintaining machinery and equipment, most frequently in the production, manufacturing and transport sectors.

Machine and panel builders
Machine and panel builders design and construct machines and electrical control panels that are used in industry, construction and manufacturing.

Buyers
Buyers make purchases, take strategic decisions on the procurement process, conduct supplier reviews, and perform negotiations on behalf of the other customer groups.

Product categories

Automation and Control (A&C)
A&C products, which include programmable logic controllers, safety devices, sensors, cables and pneumatic cylinders, are suitable for all vertical markets, including the food and beverage, packaging, manufacturing, marine, and oil and gas industries. We are focused on being the main supplier for panel builders and maintenance engineers in small and medium-sized enterprises.

Tools, consumables and test
Our tools, consumables and test range encompasses everything that our customers need to support the product life cycle, from research and development through to the maintenance and repair of production plants, buildings and machinery. This includes electronics workbench equipment, electrostatic discharge products and 3D printers through to electrical, test and measurement and safety equipment, mechanical tools and lighting.

Market needs

Easy to do business with
Make it easy to find and buy the right products quickly and intuitively, with accurate stock and delivery information.

Standard next-day delivery
Reliable 24-hour delivery on time and to promise.

Sector and technical knowledge and expertise
Support of knowledgeable teams who can help customers through their journey.

Dedicated sales for large corporates
Managing big data and creating insights to help large customers be more competitive.

Broad range and stock availability
A wide and relevant range of products in stock, available for immediate despatch.

Procurement solutions
Innovative solutions that add value across the supply chain and help customers to manage their assets.

Order characteristics

- Average order circa £150
- Average order contains 2–3 product lines
- Wide variety of products per order

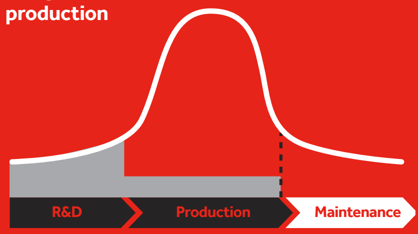
Electronics

>£30bn

Marketplace

Our Electronics business primarily serves the research and development requirements of electronic design engineers from design to small batch production, at the beginning of the product life cycle. Through the cycle this market has grown at circa 2x GDP. There are four global high-service distributors operating in this marketplace, with a combined share of < 10% of the market value.

Electronic design to production



Key customer groups

Electronic design engineers

Electronic design engineers research, design and develop electronic components, systems and circuits for use in a range of commercial and industrial fields.

Buyers

Buyers make purchases, take strategic decisions on the procurement process, conduct supplier reviews, and perform negotiations on behalf of the other customer groups.

Product categories

Semiconductors

Semiconductors, such as microcontrollers, voltage regulators, transistors and diodes, are at the heart of any electronic device and the starting point of any new electronic design. This is why our customers need them and why we focus on providing a broad range of the latest high-quality components, evaluation boards and development kits.

Interconnect, Passives and Electromechanical (IP&E)

Virtually all electronic and electrical systems require IP&E components, from resistors and switches to heavy-duty connectors for industrial applications and board-level power supplies. Thanks to the strong relationships we have with our suppliers, we offer our customers quick, easy access to a comprehensive range, including the most innovative components on the market.

Market needs

Easy to do business with

Make it easy to find and buy the right products quickly and intuitively, with accurate stock and delivery information.

Planned delivery

Reliable service with 1–3 days standard delivery, plus forward and scheduled ordering.

Traceability and appropriate packaging

Product traceability and a range of relevant packaging options.

Broad range and new technologies

A comprehensive portfolio that is continuously updated with the latest and most advanced products.

Applications-led support

Relevant selection and after-sales support that is applications focused.

Enhanced design tools and support

Giving customers prototype-to-production capability to take designs to reality.

Business Model

We aim to provide a seamless connection between our supplier base and our customers. Our broad range of stocked products, strong digital and technical expertise, and ongoing efforts to provide best-in-class fulfilment means we can quickly connect our customers with the parts and solutions they need to succeed.

2,500 SUPPLIERS

Sourcing high-quality products

Creating demand

- Strong global supplier relationships
- Offering choice from leading manufacturers to our own-brand products
- Latest technologies to hard-to-find products
- We continue to build insight through technology and innovation e.g. DesignSpark

Availability & breadth of range

Over 500,000 stocked products

- Broad range from semiconductors to tools and consumables; even more non-stocked products
- Global reach – operations in 32 countries
- No minimum order size
- We aim to offer market-leading availability with clear, transparent information on stock

Making it easy to do business

Knowledge and technical expertise

- Driving continuous improvement in a best-in-class digital offering to help our customers quickly find, choose and buy products
- High-quality technical data, images and product specifications
- Leading-edge solutions: DesignSpark design tools, eProcurement solutions
- Knowledgeable sales teams with increasing sector-specific expertise

Providing best-in-class fulfilment

More than 44,000 parcels shipped daily

- Global distribution centre network
- Customers kept informed throughout the order process
- After-sales support
- We constantly strive to provide an industry-leading service, ensuring each parcel arrives on time and to promise

OVER ONE MILLION CUSTOMERS

Financial Review
Results Review

Strategic Report

"Electrocomponents is a strong business with a significant opportunity to drive faster growth, greater efficiencies and higher returns."

David Egan
Group Finance Director

Overview

I am pleased to be writing my first report as Group Finance Director of Electrocomponents Plc. Since I joined the Group in early March, I have taken the opportunity to visit a number of our operations in the UK, Germany and Asia Pacific and meet a number of our employees, suppliers and customers.

My initial impressions of the business have reinforced my view that Electrocomponents is a strong business with a significant opportunity to drive faster growth, greater efficiencies and higher returns. We have a strong leadership team and talented and enthusiastic people committed to improve the performance of this organisation.

While results overall in 2016 are still not where they should be, it is pleasing to see that the changes initiated at the half year have driven an improved profit performance in the second half.

	2016	2015	Change	Underlying
Revenue	**£1,291.1m**	£1,266.2m	2.0%	2.8%
Gross margin	**43.5%**	44.6%	(1.1)pts	(0.8)pts
Operating costs	**£(479.5)m**	£(479.5)m	0.0%	(1.3)%
Headline operating profit	**£82.0m**	£85.2m	(3.8)%	0.2%
Operating margin	**6.4%**	6.7%	(0.3)pts	(0.1)pts
Headline PBT	**£76.8m**	£80.1m	(4.1)%	0.0%
Headline EPS	**12.6p**	13.2p	(4.5)%	0.0%
Headline free cashflow	**£62.6m**	£52.3m	19.7%	
Net debt	**£165.1m**	£152.6m	(8.2)%	
Leverage (x EBITDA)	**1.5x**	1.3x		
Full-year dividend per share	**11.75p**	11.75p	0.0%	

Summary income statement

	2016			2015		
£m	**Reported**	**Adjustments**	**Headline results**	Reported	Adjustments	Headline results
Revenue	**1,291.1**	**–**	**1,291.1**	1,266.2	–	1,266.2
Operating profits before exceptional items	**82.0**	**–**	**82.0**	85.2	–	85.2
Exceptional items	**(41.9)**	**41.9**	**–**	16.0	(16.0)	–
Operating profit	**40.1**	**41.9**	**82.0**	101.2	–	85.2
Interest	**(5.2)**	**–**	**(5.2)**	(5.1)	–	(5.1)
Profit before tax	**34.9**	**–**	**76.8**	96.1	–	80.1
Income tax costs – ordinary activities	**(21.4)**	**–**	**(21.4)**	(22.1)	–	(22.1)
Income tax costs – exceptional items	**8.4**	**(8.4)**	**–**	(3.7)	3.7	–
Profit for the year	**21.9**	**33.5**	**55.4**	70.3	(12.3)	58.0
Earnings per share (p)	**5.0**	**–**	**12.6**	16.0	–	13.2

Financial Review

Sales

Group revenue increased by 2.8% at constant currency rates. Foreign exchange had an adverse impact of £14.0 million, which includes a partial offset from an extra trading day. As a result, on a reported basis, growth was 2.0% to £1,291.1 million (2015: £1,266.2 million). We saw strong growth in Europe, which more than offset declines in both North America and Asia Pacific. eCommerce outperformed the rest of the business, with 6.0% constant currency growth and share of Group revenue increasing to 60% during 2016 (2015: 58%). RS Pro also performed well, with 3.8% constant currency growth and an increase in the share of Group revenue to 12.5% (2015: 12.4%).

Gross margin

Group gross margin at 43.5% was down 0.8 percentage points at constant currency, a reduction of 1.1% pts on a reported basis. Geographically, Northern Europe and North America saw broadly stable gross margins, with the declines being seen in Southern Europe, Central Europe and Asia Pacific.

Approximately half of the 0.8% constant currency gross margin decline was driven by transactional foreign exchange. The weaker euro and yen have led to higher cost prices for our Europe and Asia Pacific hubs, which source predominantly from RS UK. The remaining 0.4 percentage points of the decline can be evenly split between two factors. Firstly, the impact of discounts for corporate account customers; and secondly, the ongoing impact of negative product mix, whereby growth during the year was faster in lower margin categories such as semiconductors.

We saw the gross margin stabilise in the second half of the year, with the reported year-on-year decline reducing to 0.6 percentage points vs 1.7 percentage points in the first half. We have undertaken initiatives on pricing and increased discipline on discounting, which have aided gross margin performance in the second half.

Operating costs

Total operating costs, which include hub costs and central costs, increased by 1.3% at constant currency and were flat on a reported basis at £479.5 million (2015: £479.5 million). Operating costs grew 3.0% in the first half of 2016 at constant currency, but were down 0.4% during the second half as we began to see the benefit of the cost-reduction initiatives undertaken as part of the Performance Improvement Plan (PIP). Overall, we delivered savings of £7 million in the second half of 2016, which was ahead of our original target.

As part of our 'Simplify – operate for less' initiative, we will continue to make our operating model as lean and efficient as possible, so we can convert a higher percentage of gross profit into operating profit. While our operating conversion ratio (operating profit as a percentage of gross profit) fell in 2016 to 14.6% (2015: 15.1%), the ratio improved to 16.6% in the second half (H2 2015: 15.2%). Overall, reported operating costs as a percentage of sales fell during the year by 0.8 percentage points to 37.1% (2015: 37.9%).

Headline operating profit

Headline operating profit for the year increased by 0.2% at constant currency, a 3.8% decline on a reported basis to £82.0 million (2015: £85.2 million). The operating margin fell 0.1 percentage points at constant currency, a 0.3 percentage point reduction on a reported basis to 6.4% (2015: 6.7%). The year was very much a year of two halves, with profitability improving significantly in the second half. While the Group saw a constant currency decline in operating profit of 14.6% in the first half, the second half saw growth in constant currency operating profits of 14.2%.

Net finance costs

Net finance costs in the year were £5.2 million, broadly in line with 2015: (£5.1 million).

Reorganisation costs and pension credit

£m	2016	2015
Restructuring charges		
Labour restructuring charge	(23.0)	(4.4)
Cost of exiting facilities	(3.9)	–
Website write-down	(11.2)	–
Other write-downs	(3.8)	–
Total reorganisation costs	(41.9)	(4.4)
Pension credit	–	20.4
Total net reorganisation costs and pension credit	(41.9)	16.0

The total reorganisation costs and pension credit before tax for the Group were £41.9 million (2015: credit of £16.0 million). The 2016 costs include the following:

- £23.0 million of labour restructuring charges arising in connection with the Group reorganisation and efficiency programme, which led to a net 5% reduction in the global workforce.
- £3.9 million relating to the closure of facilities, which relates primarily to the closure of our warehouse in Singapore.
- We have also written down £15.0 million of non-cash items. Part of operating for less is making sure we use our capital effectively and take tough decisions around its allocation. During the year, we decided to halt a number of IT projects where we no longer believed that the expected returns justified the investment. The largest of these was the new website development which we announced at the half year. This led to a non-cash charge of £11.2 million in the full year, which relates to the write-down of work on the project that had been capitalised to date. We have also halted a number of smaller IT projects, resulting in a further £3.8 million write-down.

The £16.0 million credit in 2015 comprised a non-cash pension credit of £20.4 million partially offset by reorganisation costs of £4.4 million.

Profit before tax

Headline profit before tax was flat at constant currency, a 4.1% decrease on a reported basis to £76.8 million (2015: £80.1 million). The reported profit before tax fell by 63.7% to £34.9 million (2015: £96.1 million), impacted by the move from a net credit of £16.0 million in 2015 to a charge of £41.9 million in 2016 for the one-off items detailed above.

Taxation

The Group's headline tax charge was £21.4 million, resulting in an effective tax rate of 28% of headline profit before tax, unchanged from the prior year. The reported tax charge is £13.0 million, which includes a tax credit of £8.4 million relating to the tax effect of the restructuring charge The effective tax rate on reported profit before tax was 37%. Looking forward to 2017 we do not envisage any significant change in our headline effective tax rate.

The effective tax rate was higher than the cash tax rate of 26% of headline profit before tax. We expect the cash tax rate and the effective tax rate to converge as prior year tax losses are utilised.

The Group's tax strategy continues to seek to ensure that key tax risks are appropriately mitigated, that appropriate taxes are paid in each jurisdiction where the Group operates, and that the Group's reputation as a responsible taxpayer is safeguarded. We are committed to having a positive relationship with tax authorities and to dealing with our tax affairs in a straightforward, open and honest manner.

Profit for the year

Headline profit for the year was £55.4 million (2015: £58.0 million). The reported profit for the year was £21.9 million (2015: £70.3 million)

Earnings per share

Headline earnings per share was flat at constant currency rates, a decrease of 4.5% on a reported basis to 12.6p (2015: 13.2p).

The weighted average number of shares was 439.4 million (2015: 439.5 million).

Financial position

Net assets at the end of 2016 were £355.8 million (2015: £368.3 million). Return on capital employed calculated using year-end net assets and net debt balances was 15.7% (2015: 16.4%).

The Group balance sheet is summarised as follows:

	2016			2015		
£m	**Assets**	**Liabilities**	**Net assets**	Assets	Liabilities	Net assets
Property, plant and equipment	**96.0**		**96.0**	100.8		100.8
Intangible assets	**241.3**		**241.3**	248.1		248.1
Investments in associates	**0.7**		**0.7**	0.6		0.6
Other non-current assets and liabilities	**16.5**	**(78.6)**	**(62.1)**	15.5	(76.8)	(61.3)
Current assets and liabilities	**502.1**	**(213.8)**	**288.3**	506.0	(212.9)	293.1
Retirement benefits		**(43.3)**	**(43.3)**		(60.4)	(60.4)
Capital employed	**856.6**	**(335.7)**	**520.9**	871.0	(350.1)	520.9
Net cash/(debt)		**(165.1)**	**(165.1)**		(152.6)	(152.6)
Total at 31 March	**856.6**	**(500.8)**	**355.8**	871.0	(502.7)	368.3

Financial Review

Cash flow

£m	2016	2015
Headline operating profit	82.0	85.2
Depreciation and amortisation	29.6	30.5
Loss on assets	0.6	–
Other non-cash movements	2.6	1.5
Movement in working capital	2.1	(0.7)
Adjusted cash generated from operations	**116.9**	116.5
Net interest paid	(5.2)	(5.1)
Income taxes paid	(20.2)	(21.6)
Adjusted net cash inflow from operating activities	**91.5**	89.8
Net capital expenditure	(28.9)	(37.5)
Headline free cash flow	**62.6**	52.3
Outflow related to restructuring	(16.0)	(3.3)
Free cash flow post restructuring	**46.6**	49.0

Cash generation during the year, particularly during the second half, has been strong.

Headline operating profit for the year was £82.0 million (2015: £85.2 million). Depreciation was £29.6 million (2015: £30.5 million). Working capital inflow in 2016 was £2.1 million (2015: outflow of £0.7 million). The working capital inflow was driven by our ongoing efforts to reduce levels of inventory. Working capital as a percentage of sales was 22.3% (2015: 23.1%). Stock turn improved to 2.7x (2015: 2.5x).

Net interest paid of £5.2 million (2015: £5.1 million) was in respect of interest on borrowings, whilst income tax paid amounted to £20.2 million (2015: £21.6 million). The tax cash flow in 2016 benefited from some prior year tax losses. In time we expect the profit and loss and cash flow tax rates to converge.

Capital expenditure in 2016 was £28.9 million (2015: £37.5 million). This represents 1.0x depreciation (2015: 1.2x). The main capital expenditure project in 2016 was the development of the Global Planning Tool. We also incurred costs on the development of the new website during the first half. This project was halted during the first half of 2016 and resource was reallocated to concentrate on developing our existing website. We anticipate capital expenditure continuing to run at 1.0x depreciation in the current year.

Headline free cash flow for the year was £62.6million (2015: £52.3 million). Operating cash flow conversion, which is defined as headline free cash flow pre taxation and interest as a percentage of operating profits and is one of our seven KPIs, improved to 107.3% (2015: 92.7%).

There was a cash outflow related to the restructuring activities of £16.0 million during the year, which largely relates to labour restructuring charges. We expect that the restructuring cash outflow in 2017 will be largely offset by the anticipated cash proceeds from the disposal of our Singapore warehouse, which is currently held for sale on the balance sheet.

Net debt

Net debt at 31 March 2016 was £165.1 million (2015: £152.6 million), a £12.5 million increase year on year. While the dividend was covered by headline cash flow, the £16.0 million restructuring cash flow was only partly offset by strong working capital management, which was the key reason for the increase in debt. Net debt comprised gross borrowings of £210.8 million offset by cash in hand of £34.5 million.

The Group has a £177 million syndicated multicurrency facility from eight banks maturing in August 2019. This facility and the Group's $185 million of US Private Placement (PP) notes provides the majority of the Group's committed debt facilities and loans of £308 million, of which £123 million was undrawn at 31 March 2016. The PP notes are split, $85 million maturing in June 2017 and $100 million of fixed rate notes due for repayment in June 2020. The Group has swapped $40 million of the PP notes from US dollar to euro and $45 million from US dollar to sterling.

Following the recent guidance from the International Financial Reporting Interpretations Committee (IFRIC), we have reviewed our accounting policy relating to the treatment of our cash pools. We have legal right of offset for all single currency cash pools in operation and have the intent to net settle these pools, which will be demonstrated at reporting periods going forward, in line with new guidance. As we do not intend to do this for our multi-currency cash pools we have revised our accounting policy and have presented these gross. As a result we have restated our balance sheets by £37.0 million as at 31 March 2014 and by £31.6 million as at 31 March 2015 to reflect this treatment.

At 31 March 2016 the key currency exposures of the Group's net debt were US dollars 62%, euros 5% and sterling 24%. The Group's financial metrics remain strong, with EBITA interest cover of 19.2x and net debt to EBITDA of 1.5x.

Pensions

£m	2016 UK	2016 Germany	2016 Republic of Ireland	2016 Other	2016 Total	2015 UK	2015 Germany	2015 Republic of Ireland	2015 Other	2015 Total
Fair value of plan assets	438.0	–	5.5	–	443.5	448.6	–	5.3	–	453.9
Funded defined benefit obligations	(468.4)	(7.5)	(6.1)	–	(482.0)	(495.8)	(7.7)	(6.7)	–	(510.2)
Status of funded plans	(30.4)	(7.5)	(0.6)	–	(38.5)	(47.2)	(7.7)	(1.4)	–	(56.3)
Unfunded plans	–	–	–	(4.8)	(4.8)	–	–	–	(4.1)	(4.1)
Total net liabilities	(30.4)	(7.5)	(0.6)	(4.8)	(43.3)	(47.2)	(7.7)	(1.4)	(4.1)	(60.4)

The Group has material defined benefit schemes both in the UK and Europe, with the UK Scheme being by far the largest. All these schemes are closed to new entrants and in Germany and Ireland the pension schemes are closed to accrual for future service.

Under IAS 19R, the combined gross deficit of the Group's retirement obligations was £43.3m, of which the defined benefit schemes accounted for £38.5 million at 31 March 2016 (UK deficit: £30.4 million; overseas schemes deficit: £8.1 million). The UK deficit under IAS 19R has decreased from £47.2 million at 31 March 2015. This is principally due to the discount rate increasing by 0.3% p.a., although this has been partially offset by the investment return on the scheme's assets being lower than assumed.

Dividend

The Group has a strong balance sheet and the Board recognises the importance of dividends to shareholders and therefore proposes to maintain the final dividend of 6.75p per share. This will be paid on 26 July 2016 to shareholders on the register on 17 June 2016. As a result, the total proposed dividend for the financial year will remain at 11.75p per share, resulting in headline earnings dividend cover of 1.1x.

We remain committed to improving dividend cover over time by driving improved results and stronger cash flow.

Foreign exchange risk

The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on the 2016 mix of non-pound sterling denominated revenue and adjusted operating profit, a one cent movement in euro would impact profits by £0.6 million and a one cent movement in US dollars would impact profits by £0.2 million.

The Group is also exposed to foreign currency transactional risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency. Group Treasury maintains three to six month hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures relate to euros and US dollars.

Managing our Risks
Risk management framework

Managing our risks effectively

The Group has risk management and internal control processes to identify, assess and manage the risks likely to affect the achievement of its corporate objectives and business performance.

The risk management process

The risk management process is co-ordinated by the Group's risk team. The principal elements of the process are:

- **Identification:** risks are identified through a variety of sources within the Group, including senior, regional and country management teams. The focus of the risk identification is on those risks which, if they occurred, would have a material quantitative or reputational impact on the Group.
- **Assessment:** management identifies the controls for each risk and assesses (using consistent measures) the impact and likelihood of the risk occurring, taking into account the effects of the existing controls (the net risk). This assessment is compared with the Group's risk appetite to determine whether further mitigating actions are required. This process is supplemented by an annual risk and controls assessment, which all operating locations and functions are required to complete.
- **Ownership:** the Group's principal risks are owned by the Executive Management Team (EMT) with specific mitigating actions/controls owned by individual members of the team. Every six months the EMT collectively reviews the risk register, the controls and mitigating actions.
- **The Board:** undertakes a robust review of the Group's principal risks (including those that could threaten its business model, future performance, solvency or liquidity) every six months and assesses them against the Group's risk appetite. For a number of the principal risks the Board requires management to present its analysis to the Board, including the gross risk, the mitigating controls and the assessment of the net risk after controls. This allows the Board to determine whether the actions taken by management are sufficient.

Risk appetite

In accordance with the UK Corporate Governance Code, the Board has evaluated its risk appetite across three defined risk categories: strategic, operating and regulatory/compliance. These risk appetites have both quantitative and qualitative criteria.

Viability statement

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, for the next three years to April 2019.

The assessment period of three years has been chosen in line with the Group's strategic plan which has a three-year horizon and is updated annually. The Group has few contracts with either customers or suppliers extending beyond three years and, in the main, contracts are within one year. The business operates with a minimal forward order book, generally taking orders and shipping them on the same day.

The assessment conducted considered the Group operating profit, revenue, cashflows, net debt and key operating measures over the three-year period. These metrics were subject to downside stress analysis, taking account of the principal risks set out on pages 25 and 26, with a focus on the potential impact of a vote to leave the EU and how well we execute the Performance Improvement Plan. These risks are considered to crystallise in the form of a downturn in revenues or weakened margins or a combination of revenue decline and weaker margins. In assessing the potential impact of these scenarios, we took into consideration our current robust capital position and ability to flex our cost base and working capital position and other actions to protect viability in the face of adverse economic conditions.

In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk management internal control systems, as described on page 42, were taken into account. In addition to the risk mitigation plans, our business model is structured so that the Group is not reliant on one particular group of customers or geography, and has a very diverse customer base across our several geographies.

Our current robust capital position is supported by a review of the Group's funding facilities and banking covenants headroom, through the Board's Treasury Committee, and ongoing review of the Group's financial and, in particular, cash flow through monthly management accounts and regular updates from the Group Finance Director and CEO to the Board. Details of the Group's sources of finance are outlined on page 115 with the earliest date of our facilities expiring being June 2017. In making this statement regarding viability, the Directors have also made the key assumption that these sources of funding will continue to be available throughout the year period.

Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. These enquiries included a review of going concern assumptions half yearly through the Audit Committee.

For this reason the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

Principal risks and uncertainties

Risk description	Risk direction	Mitigating activities
Strategic risks		
Consequences of UK exit from the EU *This includes the risk to the Group's supply chain activities across the UK and the EU including possible changes to customs duties and tariffs*	Uncertainty increasing in the period up to the UK referendum	▷ A Group risk assessment has been undertaken ▷ This has led to reviews across business areas which would be affected by a UK exit and any subsequent changes to the UK/EU and UK/ worldwide trading agreements ▷ Across Electrocomponents these review areas include understanding the potential impacts on the Group's global supply chain infrastructure, including the transport of products between the UK and EU; and Group purchasing arrangements both within and outside the EU
Failure to respond to strategic market shifts e.g. changes in customer demands and/or competitor activity *This risk could affect the customer and market assumptions that the Group performance plans are based upon*	Increasing speed of change in competitor behaviours	▷ Monitoring of market developments ▷ Strategic reviews by the Board and EMT ▷ Annual strategic planning process including the assessment of external market changes ▷ Ongoing review of the competitive environment
Performance Improvement Plan does not deliver anticipated revenue growth and cost savings *This risk could lead to lower than forecast financial performance with changes required to Group plans*	Plan to deliver service improvements and reduce costs	▷ Prioritised set of projects in place focused on 'getting the basics right' for our customers ▷ Governance structure with clear accountabilities designed to support delivery on time and budget, within our resources and capabilities. ▷ KPIs to monitor monthly performance
Compliance risks		
Failure to comply with international and local legal/regulatory requirements *Failure to manage these collective risks adequately could lead to:* ● *death or serious injury of an employee or third party and/or* ● *penalties for non-compliance in health and safety or other compliance areas* ● *fines for anti-competitive activities or for delivering product to a denied third party*	No significant changes to new or existing legislation	▷ Employment of internal specialist expertise, supported, where needed, by suitably qualified/ experienced external partners ▷ Ongoing reviews of relevant national and international compliance requirements ▷ Training and awareness programmes in place focussing on anti-bribery, competition and data protection legislation ▷ Global whistleblowing hotline managed by an independent third party providing employees a process to raise non-compliance issues ▷ Operational Audit reviews of capabilities to ensure compliance with local requirements ▷ Global Health and Safety policy, Target Zero accidents initiative with regular reviews undertaken by the EMT and Board ▷ Local health and safety forums in place with head of Global Health and Safety ▷ Live monitoring of customer orders to ensure compliance with international trade control regulations

Risk direction definition

- The risk is likely to increase within the next 12 months
- The risk is likely to remain stable within the next 12 months
- The risk is likely to reduce within the next 12 months

Managing our Risks
Risk management framework

Risk description	Risk direction	Mitigating activities
Operating risks		
Macroeconomic environment deteriorates *The Group's sales and hence profits are adversely affected by any decline in the global macroeconomic environment*	Global macroeconomic environment not expected to shift significantly	▷ Strong cash-generative business ▷ Strong balance sheet ▷ Significant headroom maintained on banking covenants and facilities ▷ Tight cost management and control of stock
Cyber security breach *An attack on the business's systems/ data could lead to a potential loss of confidential information and disrupt the business's transactions with customers (including the transactional website) and transactions with vendors*	Increasing frequency and sophistication of cyber-attacks on businesses	▷ Anti-virus software to protect business PCs and laptops ▷ Procedures to update vendor security patches to servers and clients ▷ Software scanning of incoming emails for known viruses ▷ Firewalls to protect against malicious attempts to penetrate the business IT environment ▷ IT control reviews to consider the security implications of IT changes ▷ Security reviews with selected third-party vendors ▷ Computer emergency readiness team to track software vulnerabilities relevant to the Group's systems
UK defined benefit pension scheme cash requirements are in excess of cash available *The risk that the company is required to contribute increased cash sums to the UK defined benefit pension scheme*	Stable discount rates and asset values anticipated	▷ Quarterly reviews of the pension scheme funding position ▷ Regular interaction with the pension scheme trustees ▷ Joint trustee/Company working group to review investment strategy ▷ Consultation with scheme members on future individual funding options for defined benefits scheme ▷ Memorandum of understanding agreed with pension trustees regarding contributions to aid de-risking
People resources unable to support the existing and future growth of the business *The business is not able to attract and retain the necessary high-performing employees to ensure that the business achieves its targeted performance*	Supply of quality talent needed to drive business performance	▷ Development of existing employee competencies and the introduction of external expertise where appropriate ▷ Annual employee appraisal processes to align personal objectives with the Group's Performance Improvement Plan ▷ New Long Term Incentive Plan (LTIP) introduced to retain and motivate key management
Failure in core systems and supply chain infrastructure *This risk relates to an unplanned event causing the businesses's transactional processes to fail, adversely affecting customer service*	Stability of key infrastructure expected to continue	▷ Resilient IT systems' infrastructure featuring operating redundancies and off-site disaster recovery ▷ Strict control over upgrades to core systems and other applications ▷ Business continuity plans in place at operating locations with annual tests at more significant sites

Audit Committee

The Board has overall responsibility for the risk management process, with the effectiveness of the process being reviewed annually by the Audit Committee.

Corporate Responsibility

Corporate responsibility (CR) is an integral part of our business and we work to align our values and strategy with responsible and ethical business practices across the Group.

We take full responsibility for the Group's actions and work to deliver real business value and to create shareholder value. We aspire to exceed the expectations of our customers, suppliers, shareholders, employees and other stakeholders by:

- Protecting and enhancing our reputation
- Respecting and safeguarding people
- Attracting and retaining talent
- Stimulating innovation
- Protecting the environment
- Using resources efficiently
- Respecting our neighbours and contributing to the communities in which we operate
- Adding value to supply chain partners

In this way, we aim to have CR performance we can be proud of, earning the confidence of employees, customers, shareholders and society. We aim to be a good neighbour, and contribute to sustainability. Our CEO is responsible for CR matters and the Board receives regular reports on CR-related performance.

Electrocomponents is a member of the FTSE4Good Index, which measures the performance of companies that meet globally recognised corporate responsibility standards.

We report our CR performance under four headings: Our Community; Our People; Our Health and Safety; and Our Environment.

Our Community

The Group's approach to community engagement is responsive to the needs and opportunities of local communities at individual facilities. As a responsible business we encourage our people to spend time on fundraising activities and to support national and local charities.

During 2016, our people across the world have invested their time and money in raising funds for a wide range of valuable causes, the majority of which have been supported at a local level. Most of the fundraising has been employee-led but there have also been monetary and product donations from the Company in different markets. Our global fundraising reached over £100,000.

Practical Action

During 2016 we continued to work with Practical Action, a UK-based international NGO that uses technology to challenge poverty in developing countries. Through technology, Practical Action enables poor communities to build on their skills and knowledge to produce sustainable and practical solutions to transform lives. This is a symbiotic relationship where Practical Action can identify the solutions required for poor communities and we can provide the components and tools.

We supported Practical Action in their proposal for UK Aid Match, a government initiative to provide grants to UK-based NGOs for poverty reduction projects in developing countries. We also helped raise awareness of their project in Bangladesh, Pumpkins Against Poverty, by designing a pumpkin in our DesignSpark Mechanical 3D CAD Tool and sharing the results, both with our engineering community and through Practical Action's education programme.

RS UNIVERSITY
Teach. Learn. Share.

RS University

RS University has continued to evolve during 2016 and now has a dedicated manager driving the programme to raise awareness of RS in the academic community and to make RS the partner of choice for the next generation of engineers worldwide. A structured programme is in place and formal partnerships have been agreed with six universities worldwide. In addition, contracts were signed to open RS shops in renowned universities in Singapore, Taiwan and China.

Formula Student

We have continued to support engineering students at 20 UK universities in the global Formula Student contest. Formula Student is an initiative run by The Institution of Mechanical Engineers that aims to inspire and develop enterprising and innovative young engineers. The challenge to create a single-seat racing car is typically part of the student engineers' degree course. Each team from the selection of UK universities taking part was able to choose components from the RS range of more than 500,000 products, to be used in the planning and construction of the cars. In addition to the UK universities, we also supported 10 universities in Australia and nine in Germany.

Corporate Responsibility

TARGET ZERO
AIMING FOR ZERO ACCIDENTS ACROSS OUR BUSINESS

Our People

We are committed to building a high-performance culture, which enables us to better serve our customers and work with our suppliers through a leaner, more efficient organisation. To help achieve this, we made changes to our organisational structure during the year.

A competency framework has been built and used with senior leaders to assess leadership capability. We completed a talent review with the Executive Management Team (EMT) covering: performance and potential assessment of the Senior Leadership Team (SLT); leadership capability assessment for the EMT and SLT; plus development and deployment planning for key members.

Diversity

By embracing diversity, we are better able to understand our customers and find unique solutions to meet their needs. During the year, a number of improvements have been put in place to help those responsible for recruitment to attract and recruit diverse talent. The application process has been simplified to make it quicker and easier for candidates to apply and has been translated into eight languages.

This new process enables us to track diversity data more closely so that we know the gender, age and nationality of the candidates, where local legislation allows. This gives us insight into who we are and who we are not attracting and what happens to these groups from application through to offer and acceptance.

Gender diversity across our business:

- Overall headcount – female: 3,031; male: 2,632
- Senior management team – female: 62; male: 113
- Board of Directors – female: 1; male: 8

Human rights

Our respect for human rights is implicit in our employment practices; the rights of every employee are respected and our people are treated with dignity and consideration. We recognise freedom of association by allowing our people to establish and join organisations of their own choosing without our permission. We also recognise collective bargaining where required by local laws.

The Group's code of conduct, Our Standards, sets out the high ethical standards of behaviour to which our people are expected to work. Our Standards covers gifts, hospitality and donations, fraud, trade compliance, competition law, anti-bribery and anti-corruption, conflicts of interest and respect for employees. We operate a whistleblower policy, Speak Up, where our people can report any concerns about an illegal or improper act or a breach of Our Standards to a wholly independent third party.

Our Standards has been updated this year and is available in seven languages; every employee is accountable for reading and following it. Our Standards now references that we will not allow any form of slavery or human trafficking to take place in any part of our business. A Modern Slavery Act Transparency Statement has also been posted to the Electrocomponents website.

Our employment practices are designed to attract, retain, motivate and train people and to respect their rights. They also comply with relevant employment legislation and regulatory obligations. Where appropriate, facilities are adapted and retraining offered to any employee who develops a disability during their employment.

The Group communicates business performance and key developments in a variety of ways and in different languages; two-way communication is also actively promoted.

Our Health and Safety

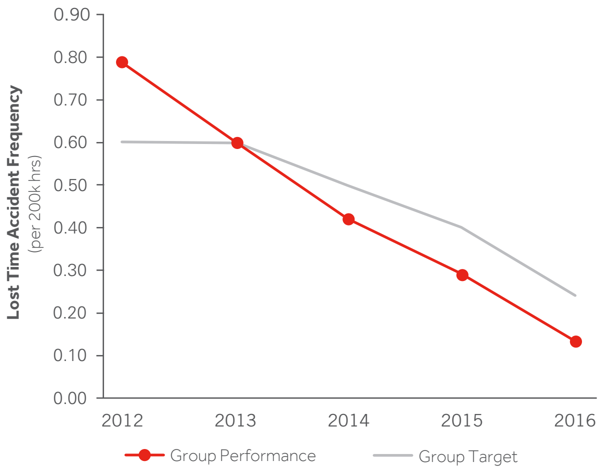
Health and safety performance

To further our goal of respecting and safeguarding our people, we continue to work towards 'Target Zero', inspired by the vision of zero accidents or harm to employees. Our overall health and safety performance this year has been encouraging, with continuous improvement over the past five years.

High-level achievements during 2016 include:

- Nine lost time accidents reported, down from 18 in 2015
- A significant reduction in Lost Time Accident Frequency (lost time accidents per 200,000 hours worked). As shown in the chart below this is down from 0.29 in 2015 to 0.15 for 2016, which is ahead of our 2016 Group target of 0.25
- A significant reduction in minor (i.e. non-lost time) accidents to 135 from 298 in 2015
- Ongoing progress with proactive leading indicators through a focus on incidents and near misses with a high potential severity to capture and share the learnings from these

Group health and safety performance



Once again we have been granted the RoSPA Gold Award and the International Safety Award.

Our Environment

The Electrocomponents environmental policy sets out our commitment to protecting the environment and using energy and other resources efficiently to provide our products and services. In this section we report on our key environmental impacts, which include energy-related CO_2 emissions, waste generation and recycling, packaging use and water consumption.

The scope and completeness of the environmental reporting process, in particular with respect to CO_2 emissions, continues to be an important factor in the Group's recognition by the Carbon Disclosure Project (CDP) for the quality of our climate-change related disclosures. In the CDP 2015 report the Group was joint top out of 17 in CDP's FTSE 350 'Information Technology' sector. In recognition of enhanced disclosure, our score increased to 98 from 92 in 2014 out of a maximum of 100.

The Group complies with the CRC (Energy Efficiency) scheme applying to all our facilities in the UK as well as with Article 8 of the EU Energy Efficiency Directive (EED) (2012/27/EU) applying to our facilities in France, Germany, Italy and the UK.

Environmental performance [1,2]

During the year the Group improved its energy-related CO_2 emissions and packaging-related performance but other aspects of environmental performance were more mixed, reflecting the impact of the closure of a number of the Group's facilities in the second half of the year.

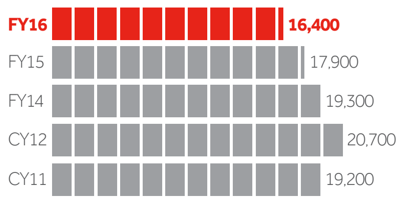
Key aspects of the Group's environmental performance include:

- Energy-related CO_2 emissions efficiency improved by 10.5%, due to increased sales and an 8.4% reduction in absolute CO_2 emissions. In the UK and Europe energy efficiency measures and warmer winter temperatures combined with sales growth to drive reductions in energy and CO_2 intensity. In Asia Pacific the closure of the number of Group facilities reduced energy consumption and associated CO_2 emissions whilst in North America reductions were driven by an increased focus on energy management and efficiency.
- Waste intensity was flat compared with the prior year, with the tonnage of waste up by 2.6% mainly due to increases in waste disposal relating to site closures.
- The proportion of total waste which is recycled declined from 74% in FY15 to 71% in FY16, in part as a consequence of the site closures but also due to a reduction in recycling rate, following a change in waste management contractor and a focus on achieving zero waste to landfill in the UK.
- The total weight of packaging use was down by 4.3%, helping to drive a 7.0% improvement indexed to sales.
- Total water use was down by 3.2% but use per head was flat. A significant reduction in water use in North America, due to reduced irrigation use, was offset by reported increases elsewhere, including improved data capture in the UK.

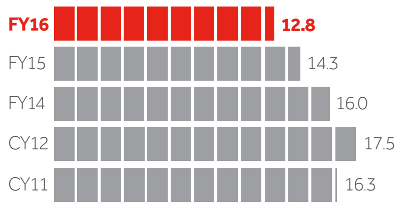
Environmental performance data [4,5]

CO_2e due to premises energy use [3,6]

CO_2e (Tonnes)



CO_2e intensity (Tonnes CO_2e/£m sales)



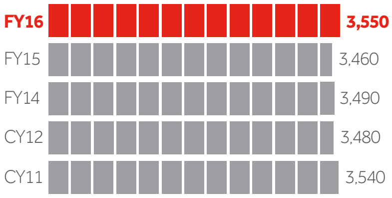
1. Since FY14 we have reported our environmental performance on a financial year basis. Prior years are reported by calendar year and the 2012 calendar year includes nine months of the financial year 2013. The financial year and calendar year reports are comparable as they both cover a 12-month period.
2. The FY16 reports for a selection of sites include pro-rata data to the date of closure or estimates where necessary. These estimates account for less than 0.5% of the Group's energy use.
3. The statutory information required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is set out on page 31.
4. KPIs are on a constant currency basis and as updated to reflect changes in reporting methodology and in emissions factors.
5. Excludes a number of smaller sites where energy, waste and water costs and consumption are included in lease costs.
6. CO_2 equivalent from all energy sources including country-specific CO_2 factors for electricity and with 100% renewable electricity reported at zero kg CO_2 per kWh.

Corporate Responsibility

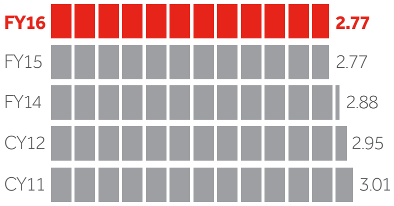
Environmental performance data[1,2] continued

Total hazardous and non-hazardous waste

Total Waste (Tonnes)

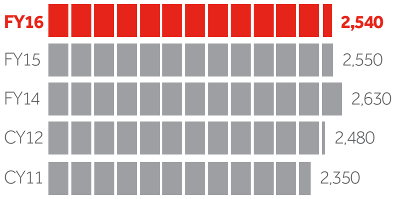


Waste intensity (Tonnes/£m sales)

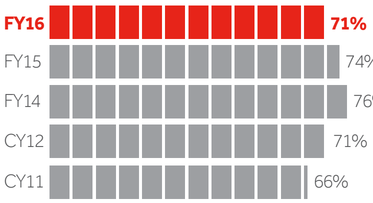


Hazardous and non-hazardous waste recycled

Recycled waste (Tonnes)

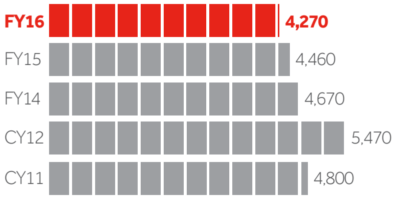


% of total waste recycled

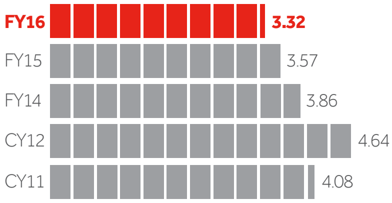


Packaging use

Packaging (Tonnes)

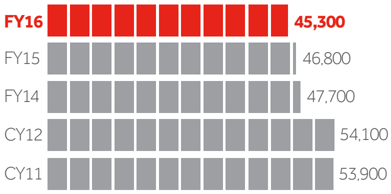


Packaging intensity (Tonnes/£m sales)

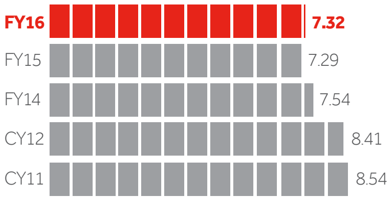


Total water use

Water use (m^3)



Water use per employee (m^3/head)



1. KPIs are on a constant currency basis and as updated to reflect changes in reporting methodology and in emissions factors.
2. Excludes a number of smaller sites where energy, waste and water costs and consumption are included in lease costs.

CO_2 emissions due to third-party logistics

In addition to reporting the environmental impacts of our own operations and activities, the Group has commenced a programme to work with our providers of third-party logistics to assess the CO_2 emissions due to our use of their services and those of their subcontractors. Further understanding of this will allow us to work with them to reduce the CO_2 emissions and thus the carbon footprint of the distribution supply chain.

In FY16 we have focussed on assessing the CO_2 emissions associated with the movement of products between the Group's sites by third party logistics providers by air, sea and road. These CO_2 emissions are of a similar order of magnitude to those due to the use of energy in our premises. In FY17 we plan to develop this work to review the CO_2 emissions associated with the delivery of products to customers.

Greenhouse Gas Emissions Disclosures

In addition to the CO_2e emissions due to premises energy use which are reported on page 29, The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires the Group to also report emissions due to the fuel used in company vehicles, fugitive emissions and other sources. The table below includes the material emission sources from the operations and activities covered by the Group's financial statements.

	FY2016 Tonnes CO_2e	FY2015 Tonnes CO_2e
Emissions from combustion of fuels and operation of facilities:		
Combustion of fossil fuels[1]	5,108	5,727
Operation of facilities, including fugitive emissions[2]	22	101
Electricity purchased for own consumption[3]:		
Purchased electricity[4]	13,413	14,389
Intensity measurement		
CO_2e due to premises energy use per £m revenue	12.8	14.3
Total GHGs per £m revenue	14.4	16.3

Data is for the financial year as updated to reflect changes in reporting methodology and to use current emissions factors.

1. Includes emissions of 2,091 tonnes relating to fuel use in company vehicles. (FY15: 2,337 tonnes)
2. 22 tonnes of CO_2e due to fugitive emissions from air-conditioning systems. (FY15: 101 tonnes)
3. The Group does not purchase steam, heat or cooling for its own use.
4. Electricity from renewable sources at zero CO_2e per kWh. Emissions increase by 1,441 tonnes at grid-average rates. (FY15: 1,472 tonnes)

The Group uses the Greenhouse Gas Protocol with emission factors for standard grid electricity by country from the International Energy Agency and other factors as published by the UK Department of Environment, Food and Rural Affairs in order to calculate the CO_2e emissions included in this report.

The Strategic Report was approved by the Board on 19 May 2016.

By order of the Board

Lindsley Ruth
Chief Executive Officer

Board of Directors

Peter Johnson
Chairman

Joined in October 2010

External roles

Peter is Vice-Chairman of the Supervisory Board of Wienerberger AG, having been a Member since 1995.

Past roles

Previously, Peter was Chairman of DS Smith plc, a Non-Executive Director of SSL International plc, Chief Executive of George Wimpey plc and Chief Executive of The Rugby Group plc.

Skills and experience

- International operations
- Emerging markets
- Mergers and acquisitions
- Distribution
- Sales and marketing
- Manufacturing
- Service industry
- Chairman
- Chief Executive Officer

Committee membership

Chairman of the Nomination Committee.

Lindsley Ruth
Chief Executive Officer

Joined in April 2015

External roles

None.

Past roles

Previously, Lindsley was Executive Vice President of the Future Electronics Group of companies, the fourth largest electronics distributor in the world. He joined them in 2002 and was a key member of their core leadership team. Lindsley has also held senior positions with TTI Inc and Solectron Corporation.

Skills and experience

- Management
- Leadership
- Mergers and acquisitions
- International operations
- Emerging markets
- Distribution
- Sales and marketing
- Manufacturing
- Supply chain and procurement

Committee membership

Member of the Treasury Committee.

David Egan
Group Finance Director

Joined in March 2016

External roles

David is a Non-Executive Director of Tribal Group plc and Chairman of its Audit Committee.

Past roles

Previously, David was Group Finance Director at Alent plc and also held a variety of senior finance positions at ESAB Holdings and Hanson plc.

Skills and experience

- International operations
- Emerging markets
- Recent financial experience
- Distribution
- Manufacturing
- Mergers and acquisitions
- Service industry

Committee membership

Chairman of the Treasury Committee.

Rupert Soames
Senior Independent Director

Joined in July 2007

External roles

Rupert is Group Chief Executive at Serco Group plc.

Past roles

Previously, Rupert was Group Chief Executive of Aggreko plc, Chief Executive of the Banking and Securities Division of Misys plc and a Non-Executive Director of Baggeridge Brick plc.

Skills and experience

- International operations
- Emerging markets
- Digital
- Manufacturing
- Service industry
- Chief Executive Officer

Committee membership

Member of the Audit, Nomination and Remuneration Committees.

Bertrand Bodson
Independent Non-Executive Director

Joined in June 2015

External roles

Bertrand is Chief Digital Officer at Home Retail Group (the owner of Argos and Habitat).

Past roles

Previously, Bertrand has held a number of senior eCommerce positions, including leading global and digital marketing responsibilities at EMI Music and Amazon. He was also Chief Executive Officer at Bragster, which is now part of Guinness World Records.

Skills and experience

- Digital
- eCommerce
- International operations
- Product development
- Sales and marketing
- Supply chain and logistics

Committee membership

Member of the Audit, Nomination and Remuneration Committees.

Karen Guerra
Independent Non-Executive Director

Joined in January 2013

External roles

Karen is a Non-Executive Director of Amcor Limited and Davide Campari-Milano S.p.A.

Past roles

Previously, Karen was a Non-Executive Director at Swedish Match AB, Inchcape plc, More Group plc and Samlerhuset Group BV. She has also held senior executive positions at Colgate-Palmolive, including Managing Director and Chairman of both their UK and French businesses.

Skills and experience

- International operations
- Sales and marketing
- Manufacturing
- Service industry

Committee membership

Member of the Audit, Nomination and Remuneration Committees.

Board of Directors

Paul Hollingworth
Independent Non-Executive Director

Joined in May 2008

External roles

Paul is a Non-Executive Director of Volution Group plc and Chairman of its Audit Committee.

Past roles

Previously, Paul was Group Chief Financial Officer of Thomas Cook Group plc and prior to that he was Chief Financial Officer of Mondi Group. He has also held positions as Group Finance Director of BPB plc, De La Rue plc and Ransomes plc.

Skills and experience

- International operations
- Emerging markets
- Recent financial experience
- Mergers and acquisitions
- Corporate law and governance
- Manufacturing
- Service industry

Committee membership

Chairman of the Audit Committee. Member of the Nomination and Remuneration Committees.

John Pattullo
Independent Non-Executive Director

Joined in January 2013

External roles

John is Chairman of NHS Blood and Transplant, Non-Executive Chairman of Marken Group, Chair of In Kind Direct (a Prince's Charity) and on the Board of GWR UK Acquisition Company Limited (owner of the Freightliner Group).

Past roles

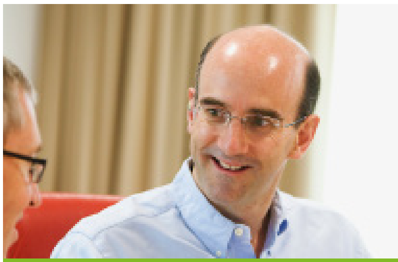
Previously, John was on the Board of CEVA Group plc and also served as Chief Executive Officer of CEVA Logistics. He was also Chief Executive Officer of the Europe, Middle East and Africa division of Exel and when Exel was acquired by Deutsche Post/DHL he went on to run the combined Exel and DHL contract logistics business in EMEA. He spent most of his early career working in supply chain management roles with Procter & Gamble.

Skills and experience

- International operations
- Emerging markets
- Supply chain and logistics
- Manufacturing
- Service industry
- Chief Executive Officer

Committee membership

Chairman of the Remuneration Committee. Member of the Audit and Nomination Committees.



Ian Haslegrave
General Counsel and Company Secretary

Joined in September 2006

External roles

None.

Past roles

Previously, Ian was International Legal Director at Viacom Outdoor Limited. He has also worked at United Biscuits Limited and Freshfields Bruckhaus Deringer.

Skills and experience

- International operations
- Mergers and acquisitions
- Corporate law and governance
- Risk management
- Procurement
- Manufacturing
- Service industry

Committee membership

Member of the Treasury Committee.

Directors' Report

The Directors present their report and the audited financial statements of Electrocomponents plc (Company) together with its subsidiary undertakings (Group) for the period to 31 March 2016.

A summary of general disclosures (incorporated in this Directors' Report)

The following information required to be disclosed in this Directors' Report is set out on the page numbers below:

	Page numbers:
Likely future developments[1]	4
Policy on disability[1]	28
Employee engagement[1]	28
Greenhouse gas emissions[1]	31
Names of Directors who served during the year	40
Results	83
Details of employee share schemes	55 and 56
Subsidiary and associated undertakings and branches	106
Financial risk management (including hedging)	111

1. Information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and included in the Strategic Report.

Information required to be disclosed in accordance with Listing Rule (LR) 9.8.4R can be found in the following sections of this Annual Report:

Section		Page numbers:
4	LR 9.4.3 Long Term Incentive Schemes	55
12 and 13	Shareholder waivers of dividends	101

Other than as set out above, there is no further applicable information to disclose in relation to LR 9.8.4.

Results and dividends

Results for the year are set out in the Group income statement on page 83. An analysis of revenue and profit by hub is shown in Note 3 on pages 91 and 92. The Directors have declared dividends as follows:

Ordinary shares	
Paid interim dividend of 5p per share (paid on 13 January 2016)	2015: 5p per share
Proposed final dividend of 6.75p per share (to be paid on 26 July 2016)	2015: 6.75p per share
Total ordinary dividend of 11.75p per share for year ended 31 March 2016	2015: 11.75p per share

Share capital

Full details of share options and awards and shares issued under the terms of the Company's share incentive plans can be found in Note 7 to the accounts on pages 94 to 96.

As at 31 March 2016, the Company's issued share capital comprised a single class of 440,843,661 ordinary shares of 10p each, totalling £44,084,366.10.

The Company was authorised by shareholders at the Annual General Meeting (AGM) held on 23 July 2015 to purchase up to 5% of its ordinary share capital in the market. The Company did not make use of this authority during the year. This authority will expire at the end of the 2016 AGM and the Company is proposing a resolution to renew it for another year.

Directors' indemnities

In accordance with the relevant provisions of the Companies Act and the Company's Articles of Association (Articles), the Company entered into a deed in 2007 to indemnify the Directors and Officers (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this report was approved) is available at the registered office of the Company.

The Company purchased and maintained Directors' and Officers' liability insurance throughout 2015, which was renewed for 2016.

Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

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 21 on pages 110 to 121.

Directors' Report

Political contributions

In the year ended 31 March 2016 the Group made no political donations or contributions.

Annual General Meeting

The Notice of the AGM is set out in a separate circular. The AGM will be held at 12 noon on Wednesday, 20 July 2016 at the Company's premises, The International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is 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 Auditor is aware of that information.

Conflicts of interest

The Company's Articles give the Board the power to authorise situations that might give rise to Directors' conflicts of interest. The Board has in place a formal conflicts of interest management procedure. The Board is responsible for considering whether authorisation is required, and if it can be given, in relation to new situations as they arise. The Board reviews annually any conflict authorisations it has given and any limitations that have been applied.

Important events since 31 March 2016

There have been no important events affecting the Group since 31 March 2016.

Company number

Registered number: 647788.

Substantial shareholders

As at 19 May 2016, the Company has been notified, in accordance with the Financial Conduct Authority's 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 LLP	Direct	83,089,855	19.05%
Ameriprise Financial, Inc. and its Group	Indirect	71,145,930	16.15%
Sprucegrove Investment Management	Direct	24,492,733	5.56%
Majedie Asset Management Ltd	Indirect	22,070,869	5.02%
Sanderson Asset Management Ltd	Direct	18,240,445	4.18%

Set out below is a summary of certain provisions of the Company's current Articles and applicable English law concerning companies (the Companies Act 2006 (Companies Act)). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Dividends and distributions

Subject to the provisions of the Companies Act, the Company may, by ordinary resolution from time to time, declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment. The Board may withhold payment of all or part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a notice after failure to provide the Company with information concerning their interest in those shares required to be provided under the Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person and every duly appointed proxy has, upon a show of hands, one vote, and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the shares.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Voting rights may be exercised in person, by proxy or, in relation to corporate members, by a corporate representative. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the relevant law, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Directors refuse to register an allotment or transfer they shall, within two months after the date on which the letter of allotment or transfer was lodged with the Company, send to the allottee or transferee a notice of the refusal.

Subject to statutes and applicable CREST rules, the Directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of the Company, or of other shareholders of shares in the Company, for a transfer of shares to take place.

Appointment and replacement of Directors

Directors shall be no less than three and no more than twelve in number. A Director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of Directors.

Any Director who was elected or last re-elected a Director at or before the AGM held in the third calendar year before the current calendar year shall retire by rotation. In addition, each Director (other than the Chairman and any Director holding an executive office) shall retire at each AGM following the ninth anniversary of the date on which they were elected. A retiring Director is eligible for re-election.

The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Articles). Any such Director shall hold office only until the next AGM and shall then be eligible for re-election.

Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board, who may exercise all the powers of the Company.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Significant agreements: change of control

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. There are no other significant agreements that take effect upon a change of control.

Amendment of Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Act by way of special resolution.

By order of the Board

Ian Haslegrave
General Counsel and Company Secretary
19 May 2016

Corporate Governance Report

> The Board's role in such a period of change has been particularly important with robust corporate governance supporting the transition.

Peter Johnson
Chairman

Dear fellow shareholder

On behalf of the Board, I am pleased to present our corporate governance reports for 2016.

The Company and the Group are committed to high standards of corporate governance and the Board is accountable to the Company's shareholders and actively engages in two-way communication with them. During the year we held numerous face-to-face meetings and invited shareholders to presentations on both the Group's financial results and elements of its strategy. I also had several meetings with shareholders.

As a UK-listed company, we are required to explain how we have applied the main principles set out in the UK Corporate Governance Code (Code) and whether the relevant provisions have been complied with throughout the financial year. This report explains how we have applied the Code during the year and confirms our compliance.

This year the business has gone through a very significant period of change, with our new Chief Executive Officer (CEO) reviewing the business and creating his new leadership team, announcing his new Performance Improvement Plan (PIP) in November and appointing our new Group Finance Director. The Board's role in such a period of change has been particularly important, with robust corporate governance supporting the transition. Further details can be found in the Strategic Report on page 4 and in the Nomination Committee Report on pages 48 and 49.

We have also carried out an internal Board evaluation and have agreed to carry out an external evaluation next year. The results and recommendations of this year's evaluation are discussed in detail later in this report, as well as progress made on last year's evaluation.

As part of our PIP, the Remuneration Committee Chairman has consulted with shareholders on a new incentive framework. Further details of this can be found in the Directors' Remuneration Report on pages 51 and 52. As a consequence, an updated remuneration policy will be proposed to shareholders at our Annual General Meeting (AGM) in July.

Peter Johnson
Chairman
19 May 2016

UK Corporate Governance Code

During the year ended 31 March 2016, the Company has been subject to the provisions of the Code published in September 2014. The Code is publicly available at www.frc.org.uk. There are five main sections of the Code covering:

- Leadership
- Effectiveness
- Relations with shareholders
- Accountability
- Remuneration

The sections within this Directors' Report explain how the Main Principles of the Code have been applied.

The information required by the Code on Directors' Accountability, our process for the appointment of Directors (including our approach to diversity) and our report on Directors' remuneration, can be found in the following sections:

- Audit Committee Report on page 43
- Nomination Committee Report on page 48
- Directors' Remuneration Report on page 50

During the year ended 31 March 2016, the Directors consider that the Company complied throughout the accounting period with all the relevant provisions set out in the Code.

The Board

Role, effectiveness and composition

The Board is collectively responsible for promoting the long-term success of the Company. The Board has carefully considered the guidance criteria regarding the composition of the Board under the Code. In the opinion of the Board, the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge, the appropriate balance of skills, and assign sufficient time to enable them to effectively carry out their responsibilities and duties to the Board and to the committees on which they sit. They are sufficiently independent of management and are free from any other circumstances or relationships that could interfere with the exercise of their judgement.

Biographical details of the Directors standing for election or re-election at the forthcoming AGM are set out on pages 32 to 34 and in the Notice of Meeting. These set out their skills and experience, together with details of their membership of Board committees. Details of the Board Directors' tenure and experience are also shown on these pages.

The Board has a formal schedule of matters reserved for its approval which includes responsibility for:

- The approval of the Group strategy and its budgetary and business plans
- The review and approval of major investment proposals and capital expenditure
- The approval of full-year and half-year results and trading updates
- The review and approval of the going concern basis of accounting and the viability assessment
- The approval of the Group's dividend policy and the payment and recommendation of interim and final dividends
- The review and approval of Group tax strategy
- Ensuring and maintaining the Group's systems of risk management, internal control and corporate governance
- Reviewing health and safety policy and its effectiveness
- Discussing and agreeing strategic plans
- On the advice of the Nomination Committee, reviewing succession plans for the Board and senior management
- Evaluating Group and subsidiary performance and reviewing forecasts

The Board is fully committed to diversity of gender, race and nationality and ensures it considers candidates from all such backgrounds when appointing new Board members. Further details of our approach to diversity in relation to appointments at Board level can be found in the Our People section on page 28 and the Nomination Committee Report on page 49.

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 whom specific responsibilities have been delegated, and for which written terms of reference have been agreed. These terms of reference can be found in the corporate governance section of the Company's website. A verbal update on the proceedings from each committee meeting is provided to the Board by the Chairman of the relevant committee. Board members can also request presentations or reports on areas of interest.

The performance of the Audit, Nomination and Remuneration Committees are assessed annually as part of the evaluation process described below. Further details of the work, composition, role and responsibilities of the Audit, Remuneration and Nomination Committees are provided in separate reports on pages 43 to 73.

Corporate Governance Report

Effective division of responsibilities and Board operation

The roles of Chairman and CEO are held by different individuals. The division of responsibilities between the Chairman and CEO has been clearly established; their responsibilities are set out in writing and have been agreed by the Board. Further information on the division of responsibilities between the Board members is available in the corporate governance section of our website.

Information and development

Training and induction

Directors are encouraged to update and refresh 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. This is in addition to the access that every Director has to the Company Secretary.

Board committees and 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. Specific training provided to the Board during the year included an update regarding corporate governance matters, approach to cyber risk and a report on the Group's corporate responsibility activity.

A tailored induction programme is provided for each new Director. Further details of our induction programme can be found in the Nomination Committee Report on page 49.

Board meetings

Directors receive a pack of relevant and timely information on the matters to be discussed for each Board and committee meeting.

At each Board meeting:

- The CEO presents a comprehensive update on the business issues across the Group.
- The Group Finance Director presents a detailed analysis of the financial performance, as well as reports on investor relations and feedback from investors.
- Members of the Executive Management Team (EMT) and other senior managers attend relevant parts of Board meetings in order to make presentations on their areas of responsibility, providing updates on developments and changes to the business.
- The Company Secretary presents a report on key regulatory and legal issues that affect the Group.

Between Board meetings, Directors also meet with members of the EMT and are provided with information in a timely manner on matters affecting the business as and when relevant.

Further information relating to the activities of the Board during the year is available in the corporate governance section of our website.

The table below sets out the number of meetings of the Board and of the Audit, Remuneration and Nomination Committees during the year and individual attendance by the relevant members at these meetings, demonstrating commitment to their role as Directors of the Company. The Board normally meets seven times per year and supplementary meetings of the Board are held as and when necessary.

	Board (scheduled)		Audit Committee (scheduled)		Remuneration Committee (scheduled)		Nomination Committee	
Number of meetings held during the year	9[5]		4		7[5]		6	
Sally Adams[1]	3	(3)	–		–		–	
Simon Boddie[2]	4	(4)	–		–		–	
Bertrand Bodson[3]	7	(7)	3	(3)	5	(5)	5	(5)
David Egan[4]	2	(2)	–		–		–	
Karen Guerra	9	(9)	4	(4)	7	(7)	6	(6)
Paul Hollingworth	9	(9)	4	(4)	7	(7)	6	(6)
Peter Johnson	9	(9)	–		–		6	(6)
John Pattullo	9	(9)	4	(4)	7	(7)	6	(6)
Lindsley Ruth	9	(9)	–		–		–	
Rupert Soames	9	(9)	4	(4)	7	(7)	6	(6)

(The maximum number of meetings held during the year that each Director could attend is shown in brackets)

1. Sally Adams, although not formally appointed as a Director, attended meetings as Acting Group Finance Director during the period 1 October 2015 to 29 February 2016.
2. Simon Boddie stood down as Group Finance Director with effect from 30 September 2015.
3. Bertrand Bodson joined the Company as a Non-Executive Director with effect from 1 June 2015.
4. David Egan joined the Company as Group Finance Director with effect from 1 March 2016.
5. Unscheduled Board and Remuneration Committee meetings were held during the year in relation to the change of Group Finance Director and the new incentive framework being proposed at the forthcoming AGM.

Board evaluation

The Board recognises the benefit of an external evaluation and aims to carry out externally facilitated evaluations every two or three years, with our next one taking place in 2016. This year we carried out an internal evaluation which was co-ordinated by the Company Secretary.

Views were also sought on the Chairman and Senior Independent Director (SID) and also the workings of the committees of the Board. The Chairman also held one-to-one meetings with each of the Directors covering themes outlined in the questionnaire, the dynamics of the Board, training and development needs, and any other areas of concern.

The results of this year's internal evaluation were again positive with strong levels of engagement. Board members agreed that meetings worked well, especially in a period of transition, with the right topics being discussed and a good level of debate and challenge.

Outputs from last year's internal evaluation

The main output from the 2015 evaluation was a focus on succession planning and organisational capability, together with a continued focus on the competitor landscape, looking at the different business models and marketplace development in more detail. Progress made this year included:

- Two Board sessions focused on what capabilities the business needed to support the PIP, which areas needed strengthening and succession plans for senior leadership team roles.
- Strengthening senior leadership team capability with two new Board Directors and three hires of the next level down. All new hires have strong international experience with a broad range of expertise including digital, supply chain, marketing, private label and finance.
- Regular updates to the Board on competitor developments, together with a focused session reviewing the Group's value proposition, including a comparison with its competitors.

Outputs from this year's internal evaluation

The Board agreed that the main focus for the coming year would be around the further development of the Group's strategy in accordance with the PIP, mindful of the changes to the organisation and the need to have clear KPIs to track progress. In addition there would be a continued focus on succession planning and risk management. Actions for the coming year are summarised below:

- PIP: Develop the value proposition to support the Group's new strategic direction and ensure that the Group has the right organisational capability and leadership to support the future step change in performance. It was also noted that our two new divisions for electronics and industrial needed time to establish themselves to ensure that they work effectively with the new regional hubs.
- Risk management: The Board felt well appraised of the Group's key risks and felt the risk and operational audit functions were well managed. The Board would continue to focus on cyber risk and monitor the scale of change within the organisation to ensure that the Group can cope with such changes without losing sight of the key priorities in driving performance.
- Succession planning: It was important to ensure that there were strong foundations for longer-term succession planning, both at Board level and within the senior leadership team in the business.

Board evaluation process

1. The Chairman discussed and agreed the scope of the evaluation with the Company Secretary.
2. The Company Secretary prepared a questionnaire which was sent to Board members for completion.
3. The Company Secretary prepared separate reports of the findings for the Chairman and the Chairman of each committee identifying strengths, challenges and priorities. A number of recommendations were also included for discussion by the Board and each of its committees.
4. The reports of the findings and recommendations were presented by the Company Secretary to the Board, and each of its committees, who then discussed them and agreed any relevant actions for the year ahead.

Corporate Governance Report

Director re-election

The Code requires all Directors to retire and stand for re-election at each AGM. The Company complies with the Code requirement in this respect.

The Board has a broad range of skills and experience and works together effectively as evidenced throughout this Annual Report and Accounts. The Board, following its evaluation process, also considers that the performance of all the Directors continues to be effective and demonstrates commitment to their role, and therefore recommends their re-election.

Further details of each Director standing for election and re-election are provided on pages 32 to 34 and details of their attendance at Board and committee meetings are given on page 40 of this Report.

Internal control and risk management

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. The Group has an established and ongoing 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.

Further details of this process are given in the Audit Committee Report on page 46 and the Strategic Report on page 24.

The Group's internal control system can provide reasonable but not absolute assurance against material misstatement or loss.

Going concern and viability

The Board's statements on going concern and long-term viability can be found in the Strategic Report on page 24, together with an analysis of the Company's principal risks and uncertainties on page 25.

Relations with shareholders

The Company encourages two-way communication with both institutional and private investors. The Annual Report and Accounts is sent to all shareholders who wish to receive a copy. It is also available on the Company's website, which additionally contains up-to-date information on the Group's activities and published financial results and presentations.

The Board ensures that regular and useful dialogue is maintained with shareholders and the AGM is used as an additional opportunity for the Chairman and other Board members to meet with shareholders and investors and give them the opportunity to ask questions. Final voting results are published through a Regulatory Information Service and on the Company's website following the meeting.

Executive Directors have frequent discussions with institutional shareholders on a range of issues affecting the Group's performance, which include meetings following the announcements of the full-year and half-year results. At these meetings the Executive Directors meet with major shareholders to discuss performance, strategy and governance. During the year, the Chairman and the Chairman of the Remuneration Committee had face-to-face meetings and calls with shareholders, and the SID and other Non-Executive Directors were available for discussions if required.

The Group Finance Director regularly reports to the Board on investor relations, including reports compiled by the Company's brokers and containing feedback from institutional shareholders. This ensures that the views of shareholders are communicated to the Board.

Investor relations activity during the year included:

- Face-to-face meetings and telephone briefings for analysts and investors in the UK, US and Europe, covering the vast majority of shareholdings
- Face-to-face presentations of full-year and half-year results
- Recorded webcasts and presentations are available on the corporate website; video interviews with the CEO and the Group Finance Director are also available on the corporate website
- AGM where each member of the Board is available to answer questions
- Several meetings between the Chairman and shareholders
- Consultation with shareholders by the Chair of the Remuneration Committee on the new incentive framework

Audit Committee Report

“We are very pleased to welcome our new Group Finance Director, David Egan, who brings with him both strong financial and commercial experience.”

Paul Hollingworth
Chairman of the Audit Committee

Dear fellow shareholder

As Chairman of the Audit Committee, I would like to present our report detailing the role and responsibilities of the Committee and its activities during the year.

The Committee aims to protect the interests of shareholders by:

- Assisting the Board in ensuring the integrity of the financial and corporate reporting and auditing processes
- Ensuring effective internal control and risk management systems are in place
- Measuring the Group's effectiveness in managing risk
- Assisting the Board to present a fair, balanced and understandable assessment of the Group position and prospects in the Annual Report and Accounts
- Approving the remit of the Internal Audit function and reviewing its effectiveness and findings
- Ensuring that an appropriate relationship is maintained between the Group and its Auditor, including the recommendation to approve the Auditor's appointment and fees
- Reviewing the scope and effectiveness of the external audit process
- Reviewing whistleblowing, anti-bribery and fraud procedures

Specific focus during the year

As noted in last year's report, the Committee has been working with the business to ensure that we are in compliance with the changes to the UK Corporate Governance Code (Code) and associated guidance relating to the viability statement and corporate risk management respectively.

With this in mind, we have also reviewed the format of the Annual Report and Accounts to ensure we give an integrated and transparent view of the Group performance and strategy to our shareholders in a clear and concise manner.

Specific focus for the coming year

In light of the changes being implemented around the business, and the associated challenges they present, we are mindful of the necessity of a sound system of internal control to provide us with a good system of 'checks and balances'.

We noted in last year's report that we would continue to focus on ensuring that appropriate processes are in place for the review and utilisation of automated controls, including IT user access rights, and this is something that remains a priority together with cyber risk as a whole. Continued focus will also be placed on the Group's risk processes.

We are very pleased to welcome our new Group Finance Director, David Egan, who brings with him both strong financial and commercial experience, further enhancing our finance function.

On behalf of the Committee, I would like to thank everyone for their hard work over the year, including PricewaterhouseCoopers (PwC) as our Auditor, and the Internal Audit and Group Finance teams.

Paul Hollingworth
Chairman of the Audit Committee
19 May 2016

Audit Committee Report

Membership and meetings

Committee members

Paul Hollingworth (Chairman)

Bertrand Bodson (from 1 June 2015)

Karen Guerra

John Pattullo

Rupert Soames

Other regular attendees

Company Chairman

Chief Executive Officer

Group Finance Director

Company Secretary

Group Financial Controller

Head of Internal Audit and Risk

Auditor

The Board is satisfied that the Chairman of the Committee has the current and relevant financial and accounting experience required by the provisions of the Code and that the other members of the Committee have a sufficiently wide range of business experience and expertise such that the Committee can effectively fulfil its responsibilities. Details of the skills and experience of the Committee members are given in their biographies on pages 32 to 34.

Attendance of others is at the invitation of the Committee Chairman only and does not restrict the Committee's independent decision making.

Meetings are scheduled in accordance with the financial and reporting cycles of the Company and generally take place prior to Board meetings to ensure effectiveness of the collaboration with the Board.

Members and their attendance at meetings during the year are set out in the Corporate Governance Report on page 40.

The Committee has independent access to the Internal Audit team and to the Auditor. The Head of Internal Audit and Risk and the Auditor have direct access to the Chairman of the Committee outside formal Committee meetings.

The Chairman provides updates to the Board on the proceedings of each meeting.

Activities during the year

Further information on the activities of the Audit Committee during the year is available in the corporate governance section of our website.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review, with both management and the Auditor, the full-year and half-year financial reports.

The Committee focuses on ensuring compliance with the relevant financial and governance reporting requirements and determines whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. It also takes into account the significant accounting issues and judgements noted on page 45 and to support its review, regular reports are also received from the Group Finance Director and the Group Financial Controller.

The Group's KPIs are shown on pages 14 and 15 of the Strategic Report. Further information on how we carry out the above processes is available in the corporate governance section of our website.

Fair, balanced and understandable

In its financial reporting to shareholders and other interested parties, the Board aims to present a fair, balanced and understandable assessment of the Group's position and prospects, providing necessary information for shareholders to assess the Group's business model, strategy and performance. For the year ended 31 March 2016 the Group carried out a process for reviewing the Annual Report and Accounts to ensure that they were fair, balanced and understandable.

The process used includes:

- A thorough understanding of the regulatory requirements for the Annual Report and Accounts
- A draft copy provided to the Committee early in the drafting process to assess the broad direction and key messages, with a further draft provided prior to sign-off of the Annual Report and Accounts
- A cascaded sign-off across the Group to determine the accuracy and consistency of the data and language
- A detailed review by all appropriate parties including the external advisers

A checklist of all the elements of the process was completed to document the process and presented to the Committee for review to provide assurance that the appropriate procedures had been undertaken.

The Committee has reviewed the Group's Annual Report and Accounts for the year ended 31 March 2016 and has advised the Board that, in its opinion, the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy.

Significant accounting issues and areas of judgement

The Committee focuses in particular on key accounting policies and practices adopted by the Group and any significant areas of judgement that may materially impact reported results as well as the clarity of disclosures, compliance with financial reporting standards and the relevant requirements around financial and governance reporting.

Details of accounting policies and areas of judgement can be found in the notes to the accounts on pages 88 to 125.

Significant accounting issues and areas of judgement considered by the Committee during the year, and how these were addressed, are set out below. Further details in each of these areas are detailed in the summary of key estimates and judgements in Note 1 on page 88.

Significant accounting issues and areas of judgement	How the Committee addressed these matters
Inventory valuation: Inventory represents a material proportion of the Group's net assets. At 31 March 2016, the Group had £269.4 million (2015: £285.1 million) of inventory on the balance sheets.	The Group estimates the net realisable value of inventory in order to determine the value of any provision required and key judgements relate to the duration of product life cycles, amount of anticipated sales over this life cycle and the value recoverable from any excess stock. An update of these assumptions, based on recent experience, was presented to the Committee for review.
Pension valuation: The Group has material defined benefit pension schemes in the UK, Ireland and Germany. At 31 March 2016, the total deficit in relation to these defined benefit pension schemes was £38.5 million (2015: £56.3 million).	Small changes to the assumptions used to value the UK retirement benefit obligation can have a significant impact on the financial position and results of the Group. The Committee reviews the assumptions put forward by the actuaries and the Group Pension Manager.
Goodwill: There is £182.0 million of goodwill on the balance sheet at 31 March 2016 (2015: £176.5 million), which principally relates to the acquisition of Allied Inc. in July 1999.	The value of goodwill is reviewed regularly for impairment using a value-in-use model using cash flow and discount rates as set out in Note 12 on page 103. The Committee reviews these impairment tests every year, confirming that adequate headroom is in place and no impairment provision is required.
Reorganisation costs and asset write-downs: Included in this year's results is a charge of £41.9 million (H1: £11.4 million) relating to reorganisation costs and a decision to halt development of a new website.	The Committee reviewed guidance regarding the inclusion of costs shown as reorganisation costs, and received regular updates on the level and nature of these costs. The decision to write down the website development project was agreed by the Committee, then following with an internal audit review of the project governance and lessons learned.

Following the recent guidance from the International Financial Reporting Interpretation Committee (IFRIC), we have reviewed our accounting policy relating to the treatment of our cash pools. We have legal right of offset for all single currency cash pools in operation and have the intent to net settle these pools, which will be demonstrated at reporting periods going forward, in line with the new guidance. As we do not intend to do this for our multi-currency pools we have revised our accounting policy and have presented these gross. As a result we have restated our balance sheets by £37.0 million as at 31 March 2014 and by £31.6 million as at 31 March 2015 to reflect this treatment.

In addition to the above, the Committee reviewed the Group's taxation provision, which requires accounting estimates regarding tax liabilities accruing across our multiple geographies and the recoverability of losses. Last year the Board reviewed and endorsed the Group's tax strategy. The Committee reviews the effective tax rate and the balance sheet provision at the half year and the full year, and discusses the position with senior management as well as the Auditor.

In its review of the financial statements for the year ended 31 March 2016, the Committee also considered analysis to support the Company's going concern and viability statements. Details of these statements are noted on page 24 of the Strategic Report.

Audit Committee Report

Internal control and risk management

The Board's responsibilities for the systems of internal control and their effectiveness are detailed in the Corporate Governance Report on page 42, together with the going concern and viability statements on page 24.

The Committee receives quarterly reports from the Head of Internal Audit on the performance of the system of internal control, and on its effectiveness in managing principal risks and in identifying control failings or weaknesses.

In accordance with the requirements of the Code and the recommendations of the Guidance on Risk Management, Internal Control and Related Financial Business Reporting, the Committee reviews the Group's risk management process annually. This year the process has involved the consideration of the Group's risk appetite, with the outcome being reported to the Board and any areas for further consideration being discussed at subsequent meetings. This, together with regular updates to the Board on the principal risks, allows the Board to assess the systems of internal control and the residual risk for the purposes of making its public statement.

These reviews covered material controls, including financial, operational and compliance controls and risk management systems. Further information regarding principal risks and uncertainties to the business is given on page 25 of the Strategic Report.

Where weaknesses in the internal control system have been identified through the processes outlined above, plans for strengthening them are put in place and plans regularly monitored until complete. During the period, the Internal Audit function was asked to review a website development project, to feed back on the overall governance of the project and to share lessons learnt with the Committee. There were no other control failings or weaknesses that resulted in unforeseen material losses.

Internal financial controls

Internal financial controls are the systems employed by the Group to support the Directors in discharging their responsibilities for financial matters. Those responsibilities are noted on page 74.

The main elements include:

- Assessments by Internal Audit on the effectiveness of operational controls
- Clear terms of reference setting out the duties of the Board and its committees, with delegation to management in all locations
- Group Finance and Group Treasury manuals outlining the accounting policies and controls
- Weekly, monthly and annual reporting cycles, including an annual budget approved by the Board and regular quarterly forecast updates
- Local leadership teams reviewing results against forecast and agreed performance metrics and targets with overall performance reviewed at hub and Group levels
- Specific reporting systems covering treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its committees on a regular basis
- Whistleblowing procedures allowing individuals to report fraud or financial irregularities

Internal audit

The Committee reviews and approves the scope and resourcing of the Internal Audit programme annually with the Group's internal auditors. The scope is decided upon by reference to the perceived geographic, functional and operating risks around the business. These risks are identified from previous audit experience, input from the executive management team and other external sources.

The Committee reviews:

- The level and skills of resources allocated to the Internal Audit function to conduct this programme of work
- The summary of the results of each audit and the resolution of any control issues identified
- The effectiveness of the Internal Audit function

The Head of Internal Audit has regular contact with the Chairman of the Committee, in the form of telephone calls and face-to-face meetings. These discussions are around audit planning and matters noted during Internal Audit assignments. The Company Chairman and other members of the Committee are also available if required. At least annually the Committee meets with the Head of Internal Audit without the presence of the executive management.

Auditor

The Committee and the Board put great emphasis on the objectivity of the Group's Auditor, PwC, in their reporting to shareholders. To ensure full and open communication, the Group Audit Partner from PwC was present at all of the Committee meetings.

The performance and effectiveness of the Auditor is reviewed annually by the Committee, and covers qualification, expertise, resources and appointment as well as assurance that there are no issues which could adversely affect the Auditor's independence and objectivity taking into account the relevant standards. As part of risk evaluation planning the Committee considers the risk of its current Auditor withdrawing from the market.

Following a full review and having given full consideration to the performance and independence of the external Auditor, the Committee has recommended to the Board that a resolution to reappoint PwC be proposed at the 2016 AGM and the Board has accepted and endorsed this recommendation. The Company also considers the annual appointment of the Auditor by the shareholders at the AGM to be a fundamental safeguard.

Further details of how we work with our Group Auditor and how independence is maintained can be found in the corporate governance section of our website.

The Company confirms that it has complied with the provisions of the Competition and Market Authority's Order for the financial year under review.

External audit tender

Following an external tender process carried out in 2014, we are not required to re-tender until 2024. This is in accordance with the FRC Guidance on Audit Committees and the Code, published in September 2012 and September 2014 respectively, which stipulate that FTSE 350 companies should put their external audit services contract out to tender at least once every ten years. There are no contractual obligations that restrict the Committee's choice of external auditor.

Non-audit assignments undertaken by the Auditor

The Group has a policy to ensure that the provision of such services does not impair the Auditor's independence or objectivity. In determining the policy, the Committee has taken into account possible threats to Auditor independence and objectivity. Policy on non-audit services includes:

- In providing a non-audit service, the Auditor should not:
  - audit their own work
  - make management decisions for the Group
  - create a mutuality of interest
  - find themselves in the role of advocate for the Group
- The total non-audit fees for any financial year should not exceed 70% of the average of the external audit fee over the last three years. In practice the non-audit fees are normally significantly below this level. During the year under review the non-audit fees for PwC came to £10,000.

Full details of our policy in relation to non-audit services can be found in the corporate governance section of our website.

Committee evaluation

The activities of the Committee were reviewed as part of the internal Board evaluation process performed during the year under review. In this year's evaluation it was noted that there was strong support for the effectiveness of the Internal Audit team in a period of transition for the business and that the move from KPMG to PwC had gone well, noting PwC's input around the SAP controls and processes. There was also support for continued focus on cyber risk and the Group's risk appetite remaining a priority in the coming year.

Further details of the evaluation process can be found in the Corporate Governance Report on page 41.

Fraud

The Committee reviews the procedures for prevention and detection of fraud in the Group. Suspected cases of fraud must be reported to the Company Secretary within 48 hours and investigated by operational management or Internal Audit, as appropriate. The outcome of any investigation is reported to the Company Secretary. A register of all suspected fraudulent activity and the outcome of any investigation is kept and circulated to the Committee on a regular basis. During the year in question, very few frauds were reported, none of which were of a material nature to the Group.

Whistleblowing

In accordance with the provisions of the Code, the Committee is responsible for reviewing the arrangements whereby staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters and ensuring that these concerns are investigated and escalated as appropriate. An external third party operates the reporting tools to ensure anonymity where required. Whistleblowing is referred to as Speak Up internally and is available to all employees, and the Group legal team has undertaken focused activity to promote the facility to our international employees over the course of this financial year. The Committee receives aggregated reports on matters raised through these services and monitors their resolution.

Nomination Committee Report

> “A major focus was the recruitment of a strong Group Finance Director to balance and complement Lindsley Ruth and support him in transforming our performance.”

Peter Johnson
Chairman of the Nomination Committee

Dear fellow shareholder

As Chairman of the Nomination Committee, I would like to present our report detailing the role and responsibilities of the Committee and its activities during the year.

The Committee met on six occasions during the year. It is responsible for:

- Considering the structure, size and composition of the Board to ensure it has an appropriate balance and diversity of skills, experience and independence
- Developing succession plans for the Board in light of the challenges the Group will face in the future
- Ensuring the procedure for appointing Directors is rigorous, transparent, inclusive and objective
- Recommending suitable candidates for appointment to the Board and ensuring new Directors undergo an appropriate induction relevant to the Group

At the beginning of the year, the Committee recommended the appointment of Bertrand Bodson as a Non-Executive Director. Bertrand, who is Belgian, brings strong digital and marketing experience to the Board.

A major focus was the recruitment of a strong Group Finance Director to balance and complement Lindsley Ruth and support him in transforming our performance. We identified the need for someone with international experience, a strong track record of driving both organic and inorganic transformation and previous experience as the Group Finance Director of a publicly listed company. We were delighted to recommend the appointment of David Egan, who meets our criteria in full.

The Committee continued to review succession planning for Executive and Non-Executive Directors as well as for the Executive Management Team (EMT) to ensure we have the capability to drive the long-term growth of the business in line with our new Performance Improvement Plan.

As reported in my Chairman’s Report, in July Rupert Soames will complete nine years as a Non-Executive Director, seven of them as our Senior Independent Director. Rupert will not stand for re-election at this year’s Annual General Meeting (AGM). His experience and wisdom will be hard to replace. We began the search for a replacement earlier this calendar year.

Following this year’s Board evaluation, succession planning will remain a focus for the Committee, at both Board level and within the EMT. We will continue to focus on how we can increase diversity at both Board and executive levels.

Peter Johnson
Chairman of the Nomination Committee
19 May 2016

Committee members

Peter Johnson (Chairman)
Bertrand Bodson (from 1 June 2015)
Karen Guerra
Paul Hollingworth
John Pattullo
Rupert Soames

Details of the skills and experience of the Committee members are given in their biographies on pages 32 to 34.

Members and their attendance at meetings during the year are set out in the Corporate Governance Report on page 40. The Chairman provides updates to the Board on the proceedings of each meeting.

Appointment of Directors

Where a new director is to be appointed, a candidate profile is developed based on a review of future business issues against the experience and skills of existing Board members. This is used to brief external recruitment consultants appointed by the Committee to undertake the selection process. Initial meetings with prospective candidates are held by a combination of the Company Chairman, the Company Secretary and sometimes another Board Director, and a shortlist is selected to meet all other Board members. The Committee then meets and decides which candidate, if any, will be recommended to join the Board.

For our recruitment activities in relation to the Group Finance Director, we appointed Heidrick & Struggles to assist us. We have appointed Zygos to support us in finding a successor to Rupert Soames. Zygos is accredited under the Enhanced Code of Conduct for search consultancies. Neither company has any other connection to the Company and both are therefore fully independent.

Any appointments to the Board receive an induction in respect of their directorship. This will typically include meetings with senior management, sales visits to customers, presentations from key business areas, and tours of our UK warehouses, as well as technical training on legal and governance issues and any other relevant documentation.

Terms of appointment

Executive Directors have rolling contracts of one year. Non-Executive Directors do not have service contracts but instead have a letter of appointment which sets out expected time commitments. Such time commitments can involve peaks of activity at particular times.

Details of the Company's policy on Executive Directors' service contracts and terms of appointment for Non-Executive Directors are set out in the Directors' Remuneration Report on pages 58 and 61 respectively.

The Board takes into account the need for it to refresh its membership progressively over time. Non-Executive Directors are normally expected to serve for six years. They may be invited to serve longer, but additional service beyond six years is subject to rigorous review, and service beyond nine years is unlikely.

After thorough discussions by the Committee, and approval by the Board, extensions of terms for Karen Guerra and John Pattullo were agreed for a further three years, and the renewal of my appointment as Company Chairman was also agreed for a further three years.

The terms of appointment for the Board members are available for inspection at the Company's registered office and at our AGM.

Succession planning

Succession planning, both at executive and non-executive level, remains a key focus for the Board. The Chief HR Officer gave presentations to the Board during the year on organisational capability and succession planning for key senior management roles. On recommendation from the Committee, the Board agreed details of the key competencies required to enhance the composition of the Board and those competencies have been used in the search for both Bertrand and David.

Diversity

The Committee has a Policy Statement which emphasises its adherence to the Group Diversity Policy in considering succession planning and recruitment at Board level, and is mindful of the policy when instructing any recruitment consultants or other advisers it appoints. The policy states that it is in the best interests of the Company to ensure balance and diversity at Board level, and strongly encourages recruitment consultants to widen search parameters so that a diverse range of candidates may be considered, where appropriate. The Committee has actively sought to increase both gender and national diversity whilst also recognising the importance of inherent diversity of experience and approach and ensuring we recruit the best possible person for the job.

The recent recruitment activities have resulted in bringing additional international diversity to the Board with the appointment of David Egan, who has dual British-Australian nationality and Bertrand Bodson, who is from Belgium. Recent recruitment has also significantly increased the international diversity within the EMT, reflecting the nature of our business.

Directors' Remuneration Report

Chairman's statement

> "The proposed changes will align incentives more closely with the Performance Improvement Plan, and create a foundation to generate significant shareholder value."

John Pattullo
Chairman of the Remuneration Committee

This Directors' Remuneration Report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Report also meets the requirements of the UK Listing Authority's Listing Rules. In this Report we describe how the principles of good governance relating to Directors' remuneration, as set out in the UK Corporate Governance Code, are applied in practice.

The Remuneration Committee confirms that throughout the financial year the Company has complied with these governance rules and best practice provisions.

Dear fellow shareholder

On behalf of the Board, it gives me great pleasure to present the Directors' Remuneration Report (Report) for the year ended 31 March 2016. In line with the reporting regulations, this Report is split into three parts: this statement; the Directors' remuneration policy, and the Annual Report on Remuneration. This year, we will be seeking your approval for all sections, together with a revised Long Term Incentive Plan (LTIP) described below, at the Annual General Meeting (AGM) on 20 July 2016.

Objectives for remuneration

The principal objective of our remuneration policy is to support the delivery of sustained superior performance. In particular, we aim to incentivise our executives to deliver the recently announced Performance Improvement Plan (PIP).

Our remuneration policy has been designed to support this by:

- Aligning the interests of executives and shareholders, via performance measures aligned with our PIP KPIs and a substantial proportion of reward delivered in the form of Electrocomponents shares
- Supporting the changes to behaviours and culture required to deliver the PIP
- Achieving an appropriate balance between fixed and performance-related pay, and between the rewards available for meeting short-term and long-term objectives
- Providing a total compensation package which is competitive in our global talent market
- Complying with corporate governance best practice guidelines
- Expressing the reward strategy in a way that is understandable, clear and meaningful

Supporting the Performance Improvement Plan – proposed changes to the incentive framework

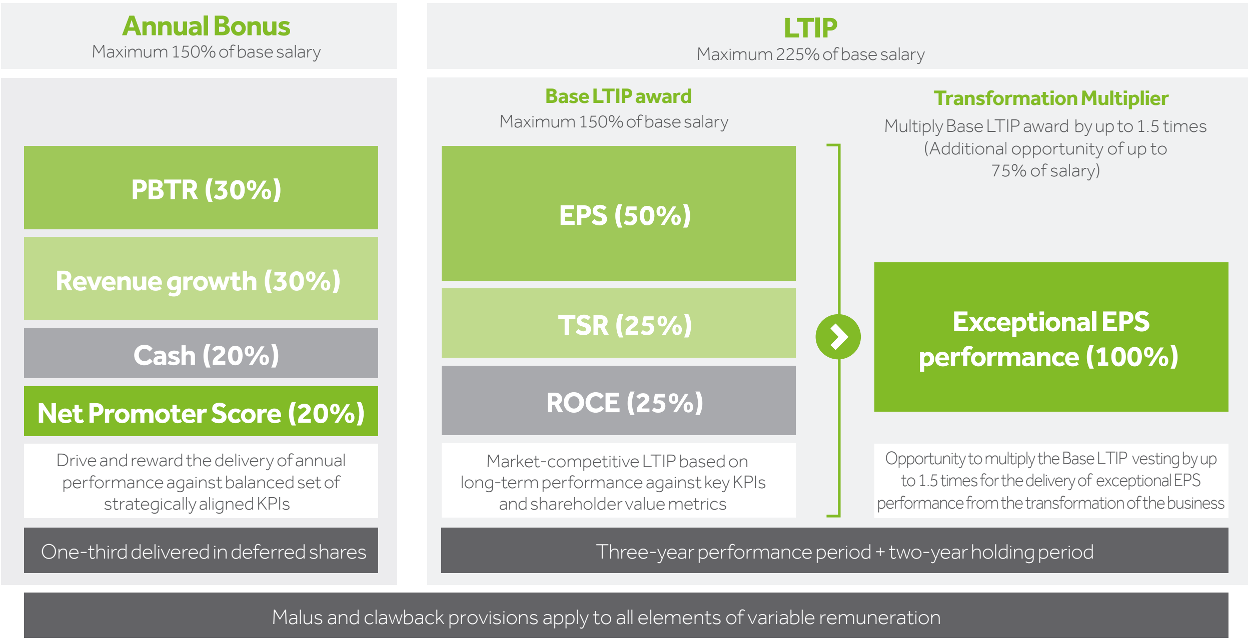
During the year, the Committee spent a considerable amount of time deciding how best to adapt the executive remuneration and incentive framework so that it appropriately reflects the step change in performance and change of culture taking place through the business following the appointment of our new Chief Executive Officer (CEO). Our PIP is set out in detail on pages 4 to 9 of the Annual Report. The proposed changes will align incentives more closely with the PIP, and create a foundation to generate significant shareholder value.

The Committee consulted widely with key investors and shareholder bodies and received generally positive feedback and considerable support for the proposals. The Committee took the feedback it received into account when developing the final proposals, set out below.

We are proposing a revised long-term incentive framework for awards made in the next three years. This is divided into two elements, each with a specific objective: The first element, the Base LTIP, will continue and will provide a market-competitive ongoing opportunity. The performance condition, however, has been revised significantly. This condition is now based on a balanced set of three performance measures more directly aligned with the KPIs of our PIP and with the creation of shareholder value. The EPS target range has been made significantly more challenging (translating to growth rates of between 8% and 15% per annum, compared with a range of 5-10% in previous years). The TSR measure has been recalibrated to reflect a more relevant benchmark of business performance (moving from the use of the FTSE 250 to a group of other UK-listed electrical and industrial sector peers). ROCE, which is one of our KPIs, has been introduced to capture the importance not only of increased profitablity, but also of more disciplined management of working capital and capital expenditure. Threshold performance will result in 25% vesting (rather than nil vesting as was previously the case), so as to provide a greater incentive. This is in line with current market practice.

Added to this will be a second new element, the Transformation Multiplier, which will apply to awards made in 2016, 2017 and 2018 only. The Multiplier is designed to provide an additional reward opportunity for delivering exceptional EPS growth driven by executing transformational change. The Multiplier provides the opportunity to increase the Base LTIP vesting by up to a maximum of 1.5 times for the delivery of cumulative EPS targets over three years which translate to growth of 20% per annum. The Transformation Multiplier reflects the Board's objective of driving a fundamental transformation of business performance.

Further details of the targets for the 2016 award are set out on page 64.



Directors' Remuneration Report
Chairman's statement

Under this LTIP framework, when taking into account the maximum application of the Transformation Multiplier, the CEO and Group Finance Director could receive maximum LTIP awards of 225% and 187.5% of salary, respectively. The Committee recognises that this represents an increase in award sizes compared to the previous framework, but considers that the award sizes are appropriate in the context of the exceptional performance which would be required. For the 2016 awards, maximum vesting would require average ROCE of 23%, upper-quartile TSR, and aggregate EPS of 55p or more over the initial three-year performance period. Over subsequent performance periods the EPS and ROCE targets will be set to maintain the same level of stretch.

Together with lower base salaries and the reduction of pension provision for the current Executive Directors, this increase in award size rebalances the Executive Directors' total remuneration packages in favour of longer-term variable incentives.

To further align incentives with our PIP, as a reflection of the importance of our customer and supplier experience, we have introduced Net Promoter Score as an additional performance measure in the Annual Bonus Plan.

Other key decisions made by the Committee during the year are as follows:

- As part of its review of remuneration policy, the Committee agreed to limit pension contributions (or cash supplements in lieu) to 20% of base salary, representing a significant reduction from previous levels.
- Simon Boddie's termination arrangements were determined by the Committee in line with the policy for loss of office. (Further details are shown on page 69 of this Report).
- David Egan's terms of engagement were determined by the Committee in line with our recruitment policy. Details of his remuneration package for the year ending 31 March 2017 are set out in the Annual Report on Remuneration on pages 63 and 64. He did not receive any other remuneration in respect of his appointment.
- Following changes to the UK Corporate Governance Code, the Committee introduced clawback arrangements so that the overall incentive framework now has malus and clawback provisions for all elements of variable remuneration.
- The Committee has increased the LTIP post-vesting holding period from one to two years for awards made in 2016 onwards.
- For the year ahead, the Committee agreed a base salary increase of 2.7% (to £565,000 per annum) for Lindsley Ruth, in line with the average salary increase across the UK. David Egan's salary will remain at £385,000 per annum.

Performance pay outcomes in respect of the year

As explained in detail on pages 1 to 3 of the Annual Report, the year ended 31 March 2016 was a year of transition for the business. The Committee assessed performance in the year against the targets and determined that 23.8% of the maximum annual bonus should pay out. One third of the bonus amount will be delivered in the form of shares. Annual bonus targets are disclosed in full on page 66.

The 2013 LTIP has not met its threshold performance condition and will therefore not vest.

Shareholder engagement during the year

I would like to thank shareholders for their support for our Annual Report on Remuneration last year, which received over 99% support (see the voting table on page 63).

As mentioned above, we have consulted extensively with our major shareholders during this year's review. I appreciated hearing the views from 10 of our major shareholders, representing some 70% of our shareholding. I am confident this final proposal is consistent with what we heard in consultation and I hope that we can continue to count on your support at the 2016 AGM.

John Pattullo
Chairman of the Remuneration Committee
19 May 2016

Directors' Remuneration Report
Directors' remuneration policy

This section of the Report sets out the remuneration policy for Executive and Non-Executive Directors, determined by the Company's Remuneration Committee (Committee). The policy will be effective following shareholder approval at the Annual General Meeting (AGM) on 20 July 2016.

The main changes from the previous policy (approved by shareholders at the 2014 AGM) are as follows:

- Reduction in the maximum pension provision to 20% of salary
- Introduction of a temporary Transformation Multiplier element of the LTIP
- Extension of the LTIP post vesting holding period to two years

Further discussion of these changes can be found in the Chairman's Statement on pages 50 to 52

Executive Director remuneration policy table

Component: **Base salary**	
Objective	To provide a broadly market-competitive level of fixed pay.
Operation	Generally reviewed each year, with increases normally effective from 1 June. Salaries are set by the Committee to reflect factors which include the scale and complexity of the Group, the scope and responsibilities of the role, the skills and experience of the individual, and the Committee's assessment of the competitive environment including consideration of appropriate market data for companies of broadly similar size, sector and international scope to Electrocomponents.
Opportunity	There is no prescribed maximum salary. Salaries effective at the end of the year under review (and changes occurring in the following year) are disclosed in the Annual Report on Remuneration. Base salary increases are applied in line with the outcome of the annual review. Factors that are considered include: increases for other employees, changes in role and responsibilities, market levels, and individual and Company performance. Salary increases will not normally be materially different to those given to other senior managers in the Group.
Performance measures	Not applicable.

Component: **Pension**	
Objective	To provide a level of retirement benefit that is competitive in the relevant market.
Operation	Directors may participate in the Defined Contribution section of the Electrocomponents Group Pension Scheme (Scheme), or receive a cash supplement in lieu. The Defined Benefit section of the Scheme is closed to new entrants.
Opportunity	A maximum contribution or cash supplement of 20% of base salary. Base salary is the only element of remuneration that is pensionable.
Performance measures	Not applicable.

Directors' Remuneration Report

Directors' remuneration policy

Component: **Benefits**	
Objective	Provision of benefits in line with the relevant market.
Operation	Executive Directors are provided with a company car (or a cash allowance in lieu thereof), mobile phone, fuel allowance and medical insurance. Other benefits may be provided or introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director.
Opportunity	Executive Directors do not normally receive total taxable benefits exceeding 10% of salary and it is not anticipated that the cost of benefits provided will exceed this level in the financial years over which this policy will apply. The Committee retains the discretion to approve a higher cost where appropriate (for example, relocation expenses or expatriation allowance) or in circumstances where factors outside the Company's control have changed materially (for example, market increases in insurance costs).
Performance measures	Not applicable.

Component: **Annual bonus**	
Objective	To focus Executive Directors on achieving demanding annual targets relating to Company performance.
Operation	Performance targets are set at the start of the financial year taking into account the annual budget agreed by the Board. After the end of the financial year, the Committee determines the extent to which these targets have been achieved. A proportion of the total bonus payment (currently one-third) is delivered in the form of deferred shares in the Company under the Deferred Share Bonus Plan (DSBP). These shares normally vest after a period of two years, subject to continued employment. Dividend equivalents may be payable on shares which vest. The remainder is paid in cash after the year end. Malus and clawback provisions apply to all elements of the annual bonus (see notes to this table).
Opportunity	Maximum opportunity: 150% of base salary.
Performance measures	Payment is determined by reference to performance, assessed over one financial year based on financial and strategic performance measures which the Committee considers to be aligned to the annual strategy and the creation of shareholder value. Such measures may include: • Sales growth • Profit before tax and reorganisation costs (PBTR) • Cash flow • Net Promoter Score The weightings of these performance measures are agreed by the Committee at the start of each year, according to annual business priorities. The overall framework will normally be weighted towards financial measures of performance. The Committee retains discretion to use different or additional measures and weightings to ensure that the bonus framework appropriately supports the business strategy and objectives for the relevant year. Before any bonus may pay out, a threshold level of PBTR must be achieved. The Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) to ensure alignment of pay with performance and fairness to shareholders and participants. The Committee also has the discretion to adjust targets for any exceptional events that may occur during the year. Any such discretion will be within the limits of the scheme, and will be fully disclosed in the relevant Annual Report on Remuneration. For threshold performance, the bonus payout will normally be nil, but in no circumstances will it exceed 10% of the maximum opportunity. For target performance, the bonus payout will typically be 50% of the maximum opportunity.

Component: **LTIP**	
Objective	To incentivise Executive Directors to deliver long-term performance by aligning their performance with shareholders' interests, and to reflect best practice. The Transformation Multiplier described below is a temporary feature applying to awards made in the financial years ending in 2017, 2018 and 2019. It is designed to drive and reward the delivery of the PIP, in order to achieve genuinely transformational performance and value for shareholders.
Operation	A conditional award of shares (Award) may be made annually under the Company's Long Term Incentive Plan (LTIP), subject to approval by shareholders at the AGM in 2016. The LTIP Award is composed of two elements: ● The Base LTIP award is the primary element and represents an award of shares which vests based on performance over the performance period. ● The Transformation Multiplier provides an ability to earn an additional reward by multiplying the outcome under the Base LTIP by up to 1.5 times for the delivery of an exceptional EPS performance target set in excess of target ranges under the Base LTIP. The Transformation Multiplier is a temporary feature to supplement the Base LTIP. LTIP awards made in July 2018 will be the last awards to contain this feature. Awards vest after a performance period of at least three years subject to the satisfaction of the performance measures and to continued employment with the Group. Dividend equivalents may be payable on any shares vesting. There will be a further holding period of two years following vesting. Malus and clawback provisions apply (see notes to this table).
Opportunity	The maximum annual award size under the Base LTIP: 150% of base salary, which can increase to up to 225% of base salary for achievement of the maximum award under the Transformation Multiplier of 1.5 times the Base LTIP.
Performance measures	Vesting is determined by reference to performance assessed over a period of at least three years, based on performance measures which the Committee considers to be aligned with the delivery of strategy and long-term shareholder value. The performance measures are: Base LTIP: Headline Earnings Per Share (EPS) – 50% Headline Return On Capital Employed (ROCE) – 25% Comparative total shareholder return (TSR) – 25% Transformation Multiplier: EPS – 100% These measures and their weightings will be fixed for the life of this policy. Targets for the 2016 awards are set out on page 64. The following binding commitments and safeguards are made around the performance targets for future awards during the life of this policy: ● The EPS and ROCE targets will be set to maintain the same level of stretch as for the 2016 award. ● The TSR target is fixed. ● The EPS performance target for the Transformation Multiplier will always be set to maintain a clear distance above the top end of the Base LTIP range. ● Prior to any target being decreased, the Committee would consult with major shareholders to provide the rationale and seek feedback. Additionally, for the award to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance. The Committee has discretion to adjust the formulaic LTIP outcomes to ensure the outcome is aligned with value creation for shareholders and that it is a fair reflection of the Company's performance. The Committee also has discretion to adjust targets for any exceptional events that may occur during the performance period. The level of vesting for threshold performance will be 25% of the maximum Base LTIP award (16.67% of the overall maximum including the Transformation Multiplier).

Directors' remuneration policy

Component: **Save As You Earn (SAYE)**	
Objective	To encourage the ownership of Electrocomponents plc shares
Operation	An HMRC approved scheme where employees (including Executive Directors) may save an agreed amount up to the individual monthly limit set by HMRC from time to time over three or five years. Options are normally granted at a discount of up to 20%.
Opportunity	Savings are capped at an agreed amount up to the individual monthly limit set by HMRC from time to time.
Performance measures	Not applicable.

Component: **Share ownership**	
Objective	To align Executive Director and shareholder interests and reinforce long-term decision making
Operation	Executive Directors are expected to retain at least 50% of any share awards that vest (net of tax) in order to help build up the following required personal holdings of Electrocomponents plc shares: CEO: 200% of salary Group Finance Director: 100% of salary
Opportunity	Not applicable.
Performance measures	Not applicable.

Notes to the policy table

The Committee reserves the right to make any remuneration payments, and payments for loss of office (including exercising any discretion available to it in connection with such payments), notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before 24 July 2014 (the date the Company's first Directors' remuneration policy approved by shareholders in accordance with section 439A of the Companies Act came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the Directors' remuneration policy (approved by shareholders in accordance with section 439A of the Companies Act) in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes 'payments' include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Malus and clawback provisions

All elements of the annual bonus and the LTIP are subject to malus and clawback provisions. In the event of misconduct of the participant or their team or materially adverse misstatement of the Company's financial statements, the Committee has discretion to apply the following malus and clawback provisions in respect of the annual bonus (including DSBP) and the LTIP. The Committee may:

- Require a participant to return a cash bonus at any time up to the second anniversary of payment
- Reduce (including down to zero) a DSBP award prior to vesting
- Reduce (including down to zero) an LTIP award prior to vesting and/or require, at any time prior to the end of the holding period, a participant to return part or all of the value of the LTIP award received

Performance measure selection and approach to target setting

The annual bonus performance measures are selected each year to reflect the financial and strategic performance measures which the Committee considers to be aligned with the delivery of the Performance Improvement Plan (PIP) and which directly reinforce the medium-term performance framework. The LTIP performance measures were selected to provide a balance between external and internal measures of performance, reflect their long-term strategic KPIs, as well as measure absolute and relative performance. TSR aligns performance with shareholders' interests. EPS is a measure of the growth and profitability of the Company that also reflects management performance, and is a measure used by investors in deciding whether to invest in the Company. ROCE reflects the efficiency of profit generation and balance sheet management.

Targets applying to the bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Bonus targets are set by reference to the annual budget agreed by the Board. LTIP targets reflect industry context, expectations of what will constitute appropriately challenging performance levels, and factors specific to the Company. Targets for the Transformation Multiplier element of the LTIP reflect exceptional levels of performance from the delivery of strategic objectives which transform long-term financial performance, and must be set in excess of the upper end of equivalent performance ranges under the Base LTIP. In accordance with the rules of the LTIP, performance conditions applicable to Awards may be adjusted if an event occurs or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate. In such circumstances, the Committee may make such adjustments to the calculations as it deems necessary in order to ensure that the performance conditions suitably measure performance in a manner which is consistent with the objectives of the targets.

Differences from remuneration policy for other employees

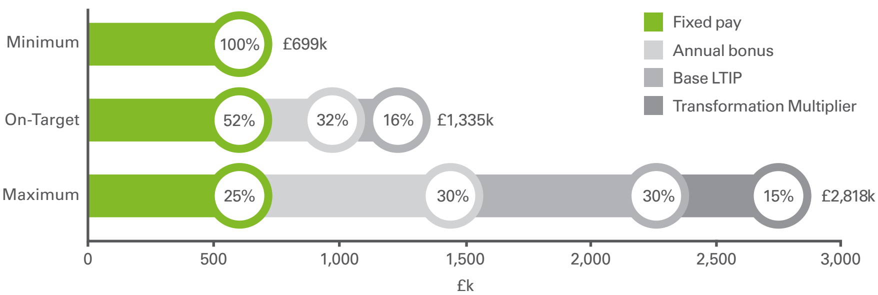
The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Company performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

All executives and senior managers are eligible to participate in annual bonus schemes. Opportunities and performance measures vary by organisational level, geographical region and an individual's role. Other members of the Executive Management Team (EMT) participate in the DSBP and LTIP on similar terms as the Executive Directors, although award sizes may vary. Awards made under the LTIP are subject to performance conditions and vest after three years subject to continued employment. Below this level, senior managers may be invited to participate in the LTIP. All UK-based employees are eligible to participate in the Company's HMRC approved savings-related share scheme on identical terms. The majority of employees based outside the UK are eligible to participate in a cash-based alternative on similar terms.

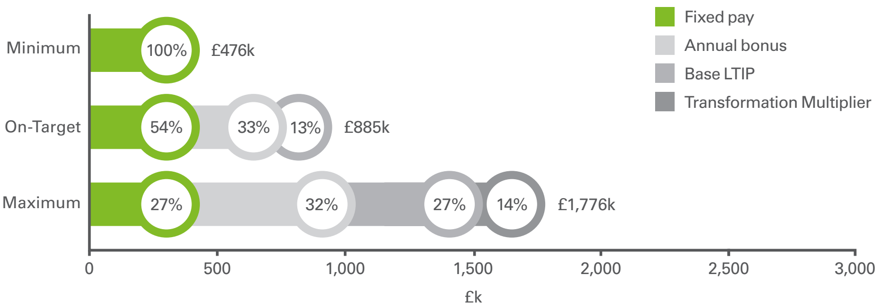
Performance scenario charts

The graphs below provide estimates of the potential future reward opportunity for the Executive Directors, and the potential mix between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-Target' and 'Maximum'.

CEO



Group Finance Director



Note: Salaries as at 1 June 2016 are used.

The ‘Minimum’ scenario reflects fixed remuneration of base salary, pension (20% of salary), and benefits (excluding any one-off amounts).

The ‘On-Target’ scenario reflects fixed remuneration as above, plus target bonus payout (75% of salary) and Base LTIP threshold vesting at 25% of the maximum award level.

The ‘Maximum’ scenario reflects fixed remuneration, plus full payout under all incentives (150% of salary under the annual bonus, and 225% and 187.5% of salary under the LTIP including the Transformational Multiplier for the CEO and Group Finance Director, respectively).

The value of the LTIP assumes no increase in the underlying value of the shares. For simplicity, any entitlement to dividend equivalents is not included.

Approach to Executive Director recruitment remuneration

External appointment

In cases of hiring or appointing a new Executive Director from outside the Company, the Committee may make use of all components of remuneration set out in the Executive Director remuneration policy table on pages 53 to 56 of this report, subject to the limits contained in that table.

In determining the appropriate remuneration structure and level for the appointee, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of shareholders. The Committee may also need to make an award of shares or cash payment in respect of a new appointment to ‘buy out’ remuneration arrangements forfeited on leaving a previous employer, over and above the approach and award limits outlined in the policy table, availing itself of Listing Rule 9.4.2R if necessary. In determining an appropriate structure for any buyout awards, the Committee will consider all relevant factors including the form and time horizon of the forfeited remuneration, any performance conditions attached to the awards being bought out, and the likelihood of those conditions being met. Any such buy out will have a fair value which, in the view of the Committee, is no greater than the fair value of the awards forfeited.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the policy will be consistent with that for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company may choose to continue to honour these arrangements even if there are instances where they would not otherwise be consistent with the prevailing Executive Director remuneration policy at the time of promotion.

Service contracts and policy for payment for loss of office

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. Both Executive Directors have service agreements that operate on a 12-month rolling basis. In line with the Committee’s policy, these service agreements provide for 12 months’ notice by the Company and by the Executive Directors. The Company entered into service agreements with Lindsley Ruth on 26 February 2015 and with David Egan on 11 December 2015.

The Committee’s policy for Directors’ termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Committee on a case-by-case basis taking into account the circumstances of the termination. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Committee on the same basis. When the Committee believes that it is essential to protect the Company’s interests, additional arrangements may be entered into (for example, post-termination protections above and beyond those in the contract of employment) on appropriate terms. The Committee may also agree to pay legal fees and outplacement costs on behalf of the Directors.

Both Executive Directors’ service agreements provide for base salary in lieu of notice. The Committee will monitor, and where appropriate enforce the Directors’ duty to mitigate loss.

The table below summarises how awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion.

	Reason for cessation	Calculation of vesting/payment	Timing of vesting
Annual bonus	Termination with 'cause'	No bonus paid	Not applicable
	Resignation	No bonus is normally paid unless the Committee in its absolute discretion (and on a case-by-case basis) determines otherwise	After the end of the financial year
	All other circumstances	Bonuses are paid only to the extent that the associated objectives, as set at the beginning of the plan year, are met. Any such bonus would normally be paid on a pro-rata basis, taking account of the period actually worked, normally without the DSBP element	After the end of the financial year
Deferred Share Bonus Plan (DSBP)	Termination with 'cause'	DSBP awards lapse	Not applicable
	Resignation	DSBP awards normally lapse unless the Committee in its absolute discretion (and on a case-by-case basis) determines otherwise	At the normal vesting date unless the Committee decides that awards should vest at the cessation of employment
	Injury, retirement with the agreement of the Company, redundancy or other reason that the Committee determines in its absolute discretion (other than in cases of resignation or termination with 'cause')	DSBP awards are prorated to reflect the proportion of the vesting period that has elapsed on cessation of employment, unless the Committee in its discretion decides otherwise	At the normal vesting date, unless the Committee decides that awards should vest on the date of cessation of employment
	Death	Awards vest in full, unless the Committee in its discretion decides that awards should be time prorated	As soon as possible after death
	Change of control	Awards vest in full, unless the Committee in its discretion decides that awards should only vest in part. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate	On change of control, or, where awards are exchanged, up to 14 days after change of control

	Reason for cessation	Calculation of vesting/payment	Timing of vesting
LTIP	Termination with 'cause'	LTIP awards lapse	Not applicable
	Resignation	LTIP awards normally lapse, unless the Committee in its absolute discretion (and on a case-by-case basis) determines otherwise	If applicable, at the normal vesting date unless the Committee decides that awards should vest on the date of cessation of employment, in which case the Committee may determine to what extent the performance condition has been achieved in such manner as it considers reasonable
	Injury, retirement with the agreement of the Company, redundancy or other reason that the Committee determines in its absolute discretion (other than in cases of termination with 'cause')	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved (normally over the full performance period). Awards are also prorated to reflect the proportion of the performance period worked, unless the Committee decides otherwise	At the normal vesting date unless the Committee decides that awards should vest on the date of termination of employment, in which case the Committee may determine to what extent the performance condition has been achieved in such manner as it considers reasonable
	Death	The Committee has discretion to disapply performance conditions and waive time prorating	As soon as possible after death
	Change of control	Awards would vest to the extent that any performance conditions have been satisfied. Awards would also be reduced pro rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate	On change of control, or, where awards are exchanged, up to 14 days after change of control

External appointments

Executive Directors are permitted to take up one non-executive position on the board of another company, subject to the prior approval of the Board. The Executive Director may retain any fees payable in relation to such an appointment. Details of external appointments and the associated fees received are included in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Group

The Group seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its broader employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Group operates. The Committee is mindful of the increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors, but does not currently consult with employees specifically on executive remuneration policy and framework.

Consideration of shareholder views

The Committee considers shareholder views received during the year and at the AGM each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy. The vast majority of shareholders continue to express support for remuneration arrangements at Electrocomponents. The Chairman of the Committee is always available to shareholders, should they wish to discuss remuneration arrangements.

The Committee keeps the remuneration policy under regular review, to ensure it continues to reinforce the Group's long-term strategy and aligns Executive Directors' interests with those of shareholders. The Committee consulted widely with key investors and shareholder bodies and took the feedback it received into account in developing the proposed new remuneration policy. It is the Committee's intention that key shareholders will be consulted before any significant changes to remuneration policy are made and in the event that it is considering lowering any of the LTIP targets. It is the Committee's intention to consult again with shareholders in three years' time, before the expiry of the proposed new policy.

Chairman and Non-Executive Director remuneration policy

Non-Executive Directors do not have service agreements, but are engaged on the basis of a letter of appointment providing for an initial three-year term. The Chairman's letter of appointment provides a six-month notice period and for the Non-Executive Directors, a three-month notice period. All Directors are subject to re-election annually at the AGM.

Neither the Chairman nor the Non-Executive Directors are eligible to participate in any of the Company's bonus, long-term incentive or pension plans. Details of the policy on fees paid to the Company's Non-Executive Directors are set out in the table below.

Component: **Fees**	
Objective	To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Group.
Operation	The fees paid to Non-Executive Directors are determined by the Board of Directors as a whole and the fee paid to the Chairman is determined by the Remuneration Committee. Non-Executive Directors and the Chairman receive a single base fee. Additional fees may be payable for additional Board duties, such as acting as Chairman of the Audit and Remuneration Committees, and to the Senior Independent Director. Fee levels are normally reviewed every two years, with any adjustments typically effective from 1 April. Fees are reviewed by taking into account best practice and appropriate market data including fee levels at other companies of broadly similar size, sector and international scope to Electrocomponents. Time commitment and responsibility are also taken into account when reviewing fees. The Chairman and the Non-Executive Directors may be provided with accommodation and travel expenses in order to carry out their duties. This may include the settlement by Electrocomponents of any associated tax liabilities in relation to these expenses.
Opportunity	Aggregate ordinary fees for Directors are limited to £600,000 by the Company's Articles of Association. The fees paid to Non-Executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.
Performance measures	Not applicable.

Approach to Non-Executive Director recruitment remuneration

In recruiting a new Non-Executive Director, the Committee will use the policy as set out in the table above.

Directors' Remuneration Report
Annual Report on Remuneration

The following section provides details of how our remuneration policy was implemented during the year ended 31 March 2016.

Remuneration Committee

The Remuneration Committee is a committee of the Board. Its responsibilities are set out in its terms of reference, which can be found in the corporate governance section of the Company's website. The task of the Committee is to consider the remuneration packages needed to attract, retain and motivate Executive Directors and other senior employees and to ensure that they are compensated appropriately for their contributions to the Group's performance. The Committee also considers the remuneration of the Company Chairman. The Board as a whole considers and determines the remuneration of the Non-Executive Directors. No individual was present while decisions were made regarding their own remuneration. During the year under review, the following independent Directors were members of the Remuneration Committee:

- John Pattullo (Chairman)
- Bertrand Bodson (from 1 June 2015)
- Karen Guerra
- Paul Hollingworth
- Rupert Soames

Details of the skills and experience of the Committee members are given in their biographies on pages 32 to 34. In addition, the Company Chairman, CEO, Group Finance Director and Chief HR Officer were invited to attend Committee meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers, other than in relation to their own remuneration. The Company Secretary acts as Secretary to the Committee.

Further details of matters discussed at Committee meetings which took place during the year is available in the corporate governance section of our website and attendance by individual Committee members at meetings is de tailed in the Corporate Governance Report on page 40.

Advisers

Kepler Associates (Kepler) has provided independent advice to the Committee since 2001. The Committee undertook a tender process in October, and decided to appoint Deloitte LLP to the position. Kepler has provided excellent levels of support to the Committee, but it was decided that after such a lengthy relationship, an alternative provider would be better placed to advise the Committee on aligning remuneration with the Performance Improvement Plan (PIP) announced in November. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consultancy in the UK (details of which can be found at www.remunerationconsultantsgroup.com). During the first half of the year, Kepler provided support in drafting our Directors' Remuneration Report (Report) for the year ended 31 March 2015.

During the second half of the year Deloitte have provided:

- Advice in relation to the design of the new Long Term and Short Term Incentive arrangements, including appropriate performance targets and measures, and consequent changes to remuneration policy
- Advice regarding the recruitment arrangements and remuneration package for the new Group Finance Director
- Support in drafting the Report for the year ended 31 March 2016

Kepler provides no other services to the Company or its Directors and the Committee considers it to be independent. Deloitte provides advice to the Company regarding globally mobile employees, but the Committee does not consider that this jeopardises the independence of Deloitte, which operates in line with the Code described above. Kepler's total fees for the provision of remuneration services to the Committee during the year were £5,000 (2015: £27,000 for the full year). Deloitte's fees for the provision of services to the Committee during the year were £44,000.

Summary of shareholder voting at the 2015 AGM

Summarised below are the results at the 2015 AGM of the vote on the Annual Report on Remuneration:

Vote on Annual Report on Remuneration	Total number of votes	% of votes cast
For (including discretionary)	384,475,816	99.8%
Against	812,749	0.2%
Total votes cast (excluding withheld votes)	385,288,565	100%
Votes withheld	54,306	
Total votes (including withheld votes)	**385,342,871**	

The Committee welcomes the support received from shareholders at the 2015 AGM for remuneration at Electrocomponents.

Implementation of Executive Director remuneration policy for the year ending 31 March 2017

Base salary

Base salaries for the Executive Directors effective from 1 June 2016 (with the prior year comparator and the change) are shown below:

	Salary effective 1 June 2016	Salary effective 1 June 2015	Change
Lindsley Ruth	**£564,850**	£550,000	2.7%
David Egan	**£385,000**	£385,000[1]	0%

1. Salary effective on appointment (1 March 2016)

A salary increase averaging 2.5% across the Group was awarded at the annual pay review, effective 1 June 2016.

Pension

For the forthcoming year, the Executive Directors will receive a cash contribution in lieu of pension of 20% of base salary.

Performance-related annual bonus

The maximum annual bonus opportunity for Executive Directors will remain unchanged (at 150% of base salary) for the forthcoming financial year. The bonus outcome for Executive Directors will be based on the following performance measures:

Performance measure	Weighting
Group PBTR	30%
Group sales growth	30%
Group cash flow	20%
Net Promoter Score	20%

One-third of any bonus earned will be deferred into shares for a further two years under the DSBP.

Annual bonus targets are considered to be commercially sensitive and will not be disclosed in advance, but, to the extent the Directors consider them to no longer be sensitive, are disclosed retrospectively in the Annual Report on Remuneration for the relevant year.

Directors' Remuneration Report
Annual Report on Remuneration

LTIP

Lindsley Ruth and David Egan will receive awards under the new LTIP framework with a face value of 150% and 125% of base salary (225% and 187.5% including the maximum Transformation Multiplier of 1.5 times the Base LTIP vesting) respectively, subject to shareholder approval of the new remuneration policy and the revised LTIP at the forthcoming AGM.

Vesting of these awards will be determined in accordance with the following performance targets measured over the three years to 31 March 2019:

	Base LTIP targets				Multiplier targets		
Measure	**Weight**	**Threshold (25% of Base)**	**Maximum (100% of Base)**		**Measure**	**Threshold (1x Base vesting)**	**Maximum (1.5x Base vesting)**
EPS (cumulative FY17, FY18, FY19)	50%	44p	50p				
TSR (vs Industrial/ Electronic peer group[1])	25%	Median	Upper Quartile	The vesting outcome under the Base LTIP is multiplied by up to 1.5 times based on performance against the Multiplier EPS targets.	EPS (cumulative FY17, FY18, FY19)	52p	55p
ROCE (average over FY17, FY18, FY19)	25%	17%	23%				

Straight-line vesting between points (Base LTIP and Multiplier)

1. Comprises Acal, Bodycote, Brammer, DCC, Dialight, Diploma, E2V Technologies, Essentra, Fenner, Goodwin, Graft Group, Halma, Hill & Smith, Howden Joinery, IMI, Melrose Industries, Morgan Advanced Materials, Oxford Instruments, Porvair, Premier Farnell, Renishaw, Renold, Rotork, Severfield, SIG, Spectris, Spirax-Sarco, Travis Perkins, Trifast, TT Electronics, Vitec, Weir, Wolseley, Xaar, and XP Power.

Following vesting, the 2016 awards will be subject to a two-year holding period (increased from one year for last year's awards).

SAYE

Executive Directors will be able to participate in any SAYE contract offered to all employees, on identical terms.

Implementation of Chairman and Non-Executive Director remuneration policy for the year ending 31 March 2017

For the financial year ending 31 March 2017, the Chairman's fee has increased to £190,000 (an increase of 5.5%) to reflect his seniority and contribution to the business, and to bring his pay in line with the market. The Senior Independent Director's fee has been increased from £5,000 to £7,500 above the basic £50,000 Non-Executive Director fee, in line with the market. There were no other fee increases.

Single figure for total remuneration for Executive Directors (audited)

The following table provides a single figure for total remuneration of the Executive Directors for the year ended 31 March 2016 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant. Simon Boddie ceased to be a director of the Company on 30 September 2015 and the figures below are for remuneration paid to him in respect of his employment. David Egan was appointed as a director on 1 March 2016.

	2016 £	2015 £
Lindsley Ruth		
Base salary	550,000	–
Taxable benefits[1]	129,109	–
Annual bonus[2]	196,433	–
LTIP[3]	–	–
Pension benefit[4]	110,000	–
Other[5]	1,085,933	–
Total	2,071,475	
David Egan		
Base salary	32,083	–
Taxable benefits[1]	1,200	–
Annual bonus[2]	11,459	–
LTIP[3]	–	–
Pension benefit[4]	6,417	–
Other[5]	–	–
Total	51,159	–
Simon Boddie[6]		
Base salary	199,148	392,545
Taxable benefits[1]	7,969	15,460
Annual bonus[2]	47,683	100,014
LTIP[3]	–	–
Pension benefit[4]	85,658	170,757
Other[5]	–	1,568
Total	340,458	680,344

1. Taxable benefits consist of medical insurance, company car (or allowance), and personal fuel allowance. For Lindsley Ruth, this figure also includes a one off relocation allowance of £107,690 (£55,000 net of income tax and national insurance contributions) paid to him in respect of his move from the USA. Ongoing taxable benefits amounted to £21,419 for the year.
2. Annual bonus comprises both the cash annual bonus for performance during the year and the face value of the deferred share element on the date of deferral, where relevant. Simon Boddie did not receive the deferred share element of the bonus for the year under review. The deferred share element (one-third of the figure shown in the table above for Lindsley Ruth and David Egan) is deferred for two years. See 'Annual bonus in respect of performance for the year ended 31 March 2016' on pages 66 and 67 for further details.
3. For Simon Boddie in the years ended 31 March 2015 and 2016, the LTIP value shows the value of LTIP awards made in July 2012 and 2013 respectively. For both years all the LTIP awards lapsed based on performance. Neither Lindsley Ruth nor David Egan held LTIP awards made in these years.
4. Each of the Directors received the amounts shown above (20% of base salary for Lindsley Ruth and David Egan, 43.5% of base salary for Simon Boddie) as a cash supplement in lieu of pension.
5. 'Other' includes options granted under the all-employee SAYE scheme during the year. On 24 June 2015 Lindsley Ruth was granted 15,706 SAYE options; the value of SAYE options is £7,500, the embedded gain at grant (i.e the 20% discount of the share price used at grant, multiplied by the number of options granted). For Lindsley, this figure also includes the value of his Recruitment Award, further details of which are given on page 68 of this report. The value of the award is £1,078,433. This is based on the average of the closing middle market quotations of the shares for the 30 calendar days before the announcement of Lindsley's recruitment made on 27 February 2015 (209.9p) multiplied by the number of shares awarded. There are no performance conditions, as there were no performance conditions attaching to the forfeited arrangements. The Award will vest subject, in normal circumstances, to continued service and to the Committee being satisfied that the remuneration arrangements being replaced have been forfeited.
6. Simon Boddie ceased to be a Director on 30 September 2015 and the pay included above relates to the six months during which he served as a Director.

Directors' Remuneration Report

Annual Report on Remuneration

Single figure for total remuneration for Non-Executive Directors (audited)

For the year under review, the Chairman's fee was £180,000 per annum. Paul Hollingworth, as Chairman of the Audit Committee, and John Pattullo, as Chairman of the Remuneration Committee, each received an additional fee of £10,000 per annum. Rupert Soames received an additional fee of £5,000 per annum for his ongoing responsibilities as Senior Independent Director.

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2016 and the prior year:

	Total fee	
	2016 £	2015 £
Peter Johnson	**180,000**	180,000
Bertrand Bodson[1]	**41,667**	—
Karen Guerra	**50,000**	50,000
Paul Hollingworth	**60,000**	60,000
John Pattullo	**60,000**	56,667
Rupert Soames	**55,000**	56,667

1. Bertrand Bodson was appointed as a Director on 1 June 2015.

Incentive outcomes for the year ended 31 March 2016

Annual bonus in respect of performance for the year ended 31 March 2016 (audited)

The performance measures attached to the 2016 annual bonus plan were sales growth (weighted 40%), PBTR (40%) and cash flow (20%). Target performance was calibrated to deliver a bonus of 75% of salary for the Executive Directors, with bonus payments worth up to 150% of salary for achieving stretch performance targets.

Based on the Group's performance in the year ended 31 March 2016, against targets set at the start of the year for each performance measure, the Committee confirmed a bonus outcome of 23.8% of maximum for each of the Executive Directors. Further details, including the targets set and performance against each of the metrics, are provided below:

Measure and weighting	Performance level	Payout (% of max. bonus)	Target	Actual performance	Earned bonus (% of max)
Sales growth (40% weighting)	Threshold	0%	2.2%	2.8%	3.8%
	Maximum	40%	7.6%		
PBTR (40% weighting)	Threshold	0%	£76.8m	£76.8m	0.0%
	Maximum	40%	£94.9m		
Cash flow (20% weighting)	Threshold	0%	£47.4m	£62.6m	20.0%
	Maximum	20%	£62.4m		
				Total	**23.8%**

One-third of the annual bonus award is normally deferred into shares under the DSBP which vest on the second anniversary of grant subject, normally, to continued employment. In the year under review, no DSBP element of bonus was awarded to Simon Boddie.

The table below sets out the actual bonuses paid in cash and, where applicable, deferred shares for Lindsley Ruth, David Egan and Simon Boddie for the year under review:

	Maximum bonus			Actual bonus		
	% of Salary			£		
	Cash	DSBP	Total	Cash	Shares	Total
Lindsley Ruth	100	50	150	130,955	65,478	196,433
David Egan [1]	8	4	12	7,639	3,820	11,459
Simon Boddie[2]	50	–	50	47,683	–	47,683

[1]David Egan's bonus has been prorated to reflect the one month he served as a director during the year. This is reflected in the maximum and actual bonus figures set out above.

[2]Simon Boddie's bonus has been prorated to reflect the six months he served as a Director during the year. This is reflected in the maximum and actual bonus figures set out above. Under the terms on which he left the Company he will not receive the DSBP element of the bonus.

The deferred shares have not been awarded at the date of this Report. The number of deferred shares awarded, the date of award and the share price used will be disclosed in next year's Annual Report on Remuneration.

2013 LTIP awards vesting

In July 2013, LTIP awards of shares were granted to Simon Boddie and the Committee has used its discretion to permit him to retain his LTIP awards. Any shares vesting would have been subject to prorating to the date he ceased employment with the Company. Vesting of these awards was based 50% on Electrocomponents' EPS growth and 50% on Electrocomponents' relative TSR outperformance of the FTSE 250 index over the three financial years ended 31 March 2016. Based on performance over this period, the Committee has determined that none of this award will vest. Performance targets, and actual performance against these, is summarised in the table below:

	Electrocomponents' performance	Award vesting (% of LTIP award)
TSR % outperformance of FTSE 250 index		
Threshold: Index TSR Maximum: Index + 20%	Index – 21.3%	0%
Annualised three-year EPS growth		
Threshold: 5% per annum Maximum: 10% per annum	– 3.9% per annum	0%
	TOTAL	0%

Scheme interests awarded during the year ended 31 March 2016 (audited)

DSBP

During the year under review, the following DSBP awards were made to the Executive Directors (relating to the annual bonus earned for performance over the financial year ended 31 March 2015):

	Simon Boddie
Basis of award	One-third of earned bonus
Number of shares awarded	15,547
Award date face value (214.4p per share)[1]	£33,333
Performance conditions	None

1. The awards were made using the average of the closing middle market quotations of the shares for the three dealing days immediately preceding 6 July 2015, the date the shares were awarded.

Directors' Remuneration Report
Annual Report on Remuneration

LTIP
During the year under review, the following LTIP awards were made to the Executive Directors:

	Lindsley Ruth
Basis of award	150% of base salary
Number of shares awarded	384,735
Award-date face value (214.4p per share)[1]	£824,872
Performance period	1 April 2015 – 31 March 2018
Performance conditions	• Three-year EPS growth – 50% of an award Threshold: 5% p.a. (0% of element vesting) Maximum: 10% p.a. (100% of element vesting) • Three-year relative TSR % outperformance of FTSE 250 Index – 50% of an award Threshold: Index TSR (0% of element vesting) Maximum: Index + 20% (100% of element vesting)
Threshold vesting outcome	0%
Post-vesting holding period	Twelve months

1. The awards were made using the average of the closing middle market quotations of the shares for the three dealing days immediately preceding 6 July 2015, the date the shares were awarded.

SAYE
During the year under review, the following SAYE awards were granted to the Executive Directors:

	Lindsley Ruth
Basis of award	Fixed £ savings contract
Number of options granted	15,706
Share price used for grant[1]	238.7p
Exercise price	191p (20% discount to grant price)
Performance conditions	None
Threshold vesting outcome	n/a

1. The share price used for grant was the average of the closing middle market quotations of the shares for 26, 27 and 28 May 2015.

Recruitment award

	Lindsley Ruth
Basis of award	Value of remuneration forfeited upon leaving previous employment
Number of shares awarded	513,784
Award-date face value (209.9p per share)[1]	£1,078,433
Conditions	Subject to continued service with the Company and the Board being satisfied that the remuneration arrangements being replaced have been forfeited.

1. The share price used to determine the number of shares awarded was 209.9p being the average of the closing middle market quotations of the shares for the 30 calendar days before the announcement (on 27 February 2015) of Lindsley's recruitment.

Total pension entitlements (audited)

During the year under review, Simon Boddie was able to participate in the defined benefit section of the Electrocomponents Group Pension Scheme (Scheme). However, as his pension benefit is greater than or equal to the lifetime allowance, he elected to opt out of the Scheme with effect from 5 April 2012 and receive a cash supplement in lieu of pension no greater than the cost of pension benefits previously provided. The single cash supplement, which replaced all historic cash supplements and pension benefits, was paid until the date his employment with the Company terminated. The Committee recognises that the level of pension contribution was above market norms for FTSE 250 companies of similar size. However, this level of cash supplement reflects legacy-defined benefit arrangements from which Simon Boddie had opted out.

The accrued defined benefit pension for Simon Boddie at 31 March 2016 was £29,609 per annum, including revaluation from the date he opted out of the Scheme. This pension is payable from age 60 (his normal retirement age under the Scheme). Having left service before age 60, Simon Boddie may elect to start receiving his pension at any time between age 55 and age 60, in which case the pension will be actuarially reduced to reflect the longer period for which it is expected to be paid.

Lindsley Ruth and David Egan are able to participate in the Defined Contribution section of the Scheme. Both have chosen to take this as a cash allowance of 20% of base salary instead, the value of which is captured in the Single figure for total remuneration table on page 65.

Payments to past Directors (audited)

Other than as described below, in the Single figure for total remuneration table on page 65, and as set out in last year's Directors' Remuneration Report, there were no payments to past directors during the year.

Payments for loss of office (audited)

On 30 September 2015, Simon Boddie ceased to be an employee and Director of Electrocomponents plc. Simon Boddie is receiving the following payments, which are in line with the provisions of his service contract and with the Company's remuneration policy. These payments were agreed on the basis that he remained fully committed to the Company, in accordance with certain agreed criteria, until he left on 30 September 2015.

Simon Boddie is being paid a year's base salary (£400,527), in twelve monthly instalments which commenced on October 2015, subject to mitigation provisions provided for in his contract. There is no payment of contractual benefits.

Subject to the achievement of relevant performance objectives, a cash bonus payment will be made for the year ended 31 March 2016, prorated to reflect his employment for only half of the financial year. Details of this payment are given on page 67. No award will be made in respect of the DSBP element of bonus for 2016.

The Company has paid £40,000 for outplacement services provided to Simon Boddie, together with an amount of £4,125 for legal services. Both these payments were made in the year under review directly by the Company to the supplier. These payments were agreed (consistent with remuneration policy) in consideration for Simon Boddie agreeing to post-termination protections above and beyond those in his service agreement.

The Committee has exercised its discretion, in accordance with the rules of the LTIP and DSBP and the Company's remuneration policy, to permit Simon Boddie to retain his outstanding LTIP and DSBP share awards. These will vest in accordance with the usual leaver provisions of the plans (that is, at the normal vesting date, subject to prorating to the date he ceased employment with the Company and, in the case of the LTIP awards, subject to the achievement of the performance conditions attached to each award). Simon Boddie will receive 26,905 shares in July 2016 and 1,938 shares in July 2017 under the DSBP. Under the LTIP he will receive a maximum of 58,381 shares in July 2017, subject to performance conditions. These amounts will be less, in all cases, any shares sold to cover tax. He remained eligible for a proportion of the 2013 LTIP award but as described on page 67 this award has lapsed in full based on performance.

External appointments in the year

During the financial year, David Egan was a Non-Executive Director of Tribal Group plc and Chairman of its Audit Committee. The fee payable for this appointment is £45,900 per annum. David is permitted to retain the fees relating to this appointment.

Directors' Remuneration Report
Annual Report on Remuneration

Percentage change in remuneration for the CEO

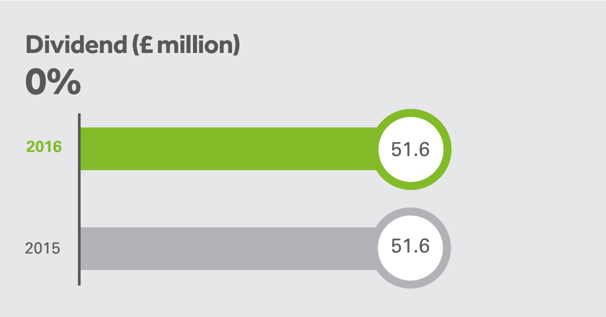
The table below shows the percentage change in the annual cash remuneration of the CEO (comprising base salary, the value of taxable benefits and earned annual bonus, as disclosed in the Single figure of remuneration table on page 65) from the prior year compared with the average percentage change for the members of our global management team. This group is considered more representative of the geographical footprint of the Company than a UK comparator group, and similarity of remuneration structures facilitates a more meaningful comparison than considering all employees as a whole. To ensure a consistent like-for-like comparison, only those employed and eligible over both periods (211 managers) have been included in this calculation.

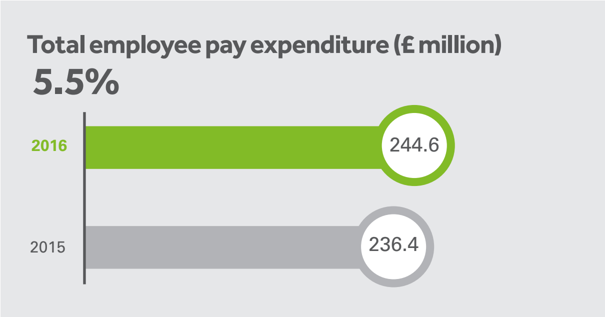
	CEO[1]			Global management team
	Year ended 31 March 2016 £	Year ended 31 March 2015 £	% change 2015 – 2016	% change 2015 – 2016
Base salary	550,000	588,193	(6.5)	3.4
Taxable benefits[2]	129,109	18,789	587.2	–
Annual bonus[3]	196,433	99,710	97.0	(76.5)
Total	875,542	706,692	23.9	(0.9)

1. The CEO remuneration figures for the year under review were for Lindsley Ruth, and for the previous year, Ian Mason. In the year ended 31 March 2015 Ian Mason received no Deferred Shares as part of his bonus, under the terms on which he left the business.
2. Taxable benefits for the year for Lindsley Ruth included a one-off relocation allowance of £107,690. The underlying increase in ongoing annual taxable benefits (excluding this relocation allowance) was 14.0%, giving a revised total increase in annual cash remuneration of 8.7%
3. The difference in percentage change in the CEO's annual bonus (and total cash remuneration) compared with that of other senior employees reflects differences in annual bonus design: the annual bonus for the CEO is based 100% on financial performance, whereas for the global management team it comprises an element based on personal performance and contribution.

Relative importance of spend on pay

The graphs below show Electrocomponents' shareholder distributions (i.e. dividends) and expenditure on total employee pay for the year under review and the prior year, and the percentage change year on year.





The total employee pay expenditure figures above include labour exit costs set out in Note 6 on page 93.

Performance graph and table

The following graph shows the seven-year TSR performance of the Company relative to the FTSE All Share and the FTSE 250 Indices. 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. The table below details the CEO's single figure of remuneration over the same period.

Total shareholder return (TSR)

(Value of £100 invested on 31 March 2009)

Electrocomponents TSR 31 March 2009 to 31 March 2016

CEO single figure of remuneration (£000)	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014	Year ended 31 March 2015	**Year ended 31 March 2016**
	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Ian Mason	**Lindsley Ruth**
CEO total remuneration	£1,472	£1,862	£1,176	£1,223	£1,287	£891	**£2,072**[1]
Annual bonus award (as a % of maximum opportunity)	74.1%	100.0%	28.2%	3.7%	89.1%	16.9%	**23.8%**
LTIP vesting (as a % of maximum opportunity)	21.4%	50.0%	20.5%	55.5%	0%	0%	**N/A**

1. CEO total remuneration for year ended 31 March 2016 includes a one off relocation payment (£107,690) and a one-off Recruitment Award (£1,078,433) as detailed in the notes to the Single figure for total remuneration table on page 65.

Director shareholdings (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares are shown below, together with total share awards and share options and information on whether the Executive Directors had met their shareholding requirements at 31 March 2016. For Simon Boddie, this information is given to 30 September 2015, the date he ceased to be a Director. Up to the date of this Report, there have been no changes in the Directors' interests.

	Shares and Share Awards held							Options held
	Owned outright	Shareholding guideline % base salary	Current holding % salary	Guideline met?	Recruitment Award not subject to performance (A)	LTIP unvested, subject to performance (B)	DSBP unvested, not subject to performance (C)	SAYE unvested, but not subject to performance (D)
Lindsley Ruth	–	200%	–	No	513,784	384,735	–	15,706
David Egan	70,000	100%	43%	No	–	–	–	–
Simon Boddie	299,412	100%	169%	Yes	–	252,824	58,904	5,298
Bertrand Bodson	10,000							
Karen Guerra	7,525							
Paul Hollingworth	10,000							
Peter Johnson	156,400							
John Pattullo	16,344							
Rupert Soames	15,024							

The value of the shares used to calculate whether the shareholding guideline is met is 226.5p, being the average share price over the three months to 31 March 2016. Details of the scheme interests contained in columns A–D are provided in the tables on page 73.

Directors' share scheme interests (audited)

David Egan, who was appointed on 1 March 2016, holds no share awards or share options currently. Share awards held by Simon Boddie are as at 30 September 2015, the date he ceased to be a Director.

Share awards

	Notes	Scheme	Date of Award	Shares awarded at 1 April 2015	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded at 31 March 2016 or date ceased to be a director	Normal vesting date
Lindsley Ruth	1	LTIP	1-Jul-15[2]	–	384,735	–	–	384,735	1-Jul-18[2]
	3	Recruitment	21-May-15	–	256,892	–	–	256,892	31-Dec-17
		Award	21-May-15	–	256,892	–	–	256,892	31-Dec-18
			Total	**–**	**898,519**	**–**	**–**	**898,519**	
Simon Boddie	1	LTIP	3-Jul-12[4]	138,488	–	–	(138,488)	–	3-Jul-15
			17-Jul-13	135,954	–	–	–	135,954	17-Jul-16[2]
			4-Jul-14	116,870	–	–	–	116,870	4-Jul-17[2]
	5	DSBP	21-Jun-13[6]	2,883	–	(2,883)	–	–	21-Jun-15
			4-Jul-14	43,357	–	–	–	43,357	4-Jul-16
			1-Jul-15	–	15,547	–	–	15,547	1-Jul-17
			Total	**437,552**	**15,547**	**(2,883)**	**(138,488)**	**311,728**	

1. All outstanding awards made to the Executive Directors under the LTIP are subject to the performance conditions set out on page 68.
2. The normal vesting date for the LTIP is the third anniversary of grant or such earlier date as the performance conditions are determined.
3. The recruitment award is subject to the conditions set out on page 68.
4. On 29 May 2015, the Committee determined that no part of the Award made under the LTIP in July 2012 should vest as neither of the performance conditions had been satisfied.
5. Outstanding DSBP awards are subject to the terms set out on page 67.
6. On 22 June 2015, the award made under the DSBP in June 2013 vested in full. There are no performance conditions but vesting is dependent, normally, on continuing employment with the Company. Cash dividend entitlements of £677 were paid at vesting to Simon Boddie.

Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 2015	Granted during the year	Exercised during the year	Lapsed during the year	**Shares under option 31 March 2016 or date ceased to be a director**
Lindsley Ruth	SAYE	24-Jun-15	01-Sep-20	28-Feb-21	191.00p	–	15,706	–	–	15,706
					Total	–	**15,706**	–	**–**	**15,706**
Simon Boddie	SAYE	17-Jul-13	01-Sep-16	28-Feb-17	214.00p	2,523	–	–	–	2,523
		25-Jun-14	01-Sep-17	28-Feb-18	227.00p	2,775	–	–	–	2,775
					Total	**5,298**	–	–	**–**	**5,298**

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group and Company financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the currently serving Directors, whose names and functions are listed on pages 32 to 34 confirm that, to the best of their knowledge:

- The Group and Company financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- The Directors' Report contained in this Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Lindsley Ruth
Chief Executive Officer

David Egan
Group Finance Director

Cautionary statement regarding forward-looking information

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. The Group cautions investors that a number of factors, including matters referred to in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under 'Principal risks and uncertainties' on pages 25 and 26 of this Annual Report.

Independent Auditor's Report to the members of Electrocomponents plc

Report on the financial statements

Our opinion

In our opinion:

- Electrocomponents plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report, comprise:

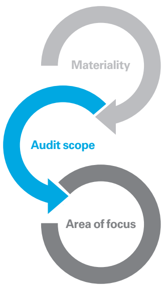
- the Group Balance Sheet as at 31 March 2016;
- the Company Balance Sheet as at 31 March 2016;
- the Group Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Group Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the Notes to the Group and Company Accounts, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the parent company financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview



- Overall group materiality: £3.6 million which represents approximately 5% of profit before tax and reorganisation costs.

- We conducted audit work over the complete financial information for seven components: UK, US, Germany, France, Italy, China and Electrocomponents plc. The components that are part of our scope as set out above account for 79% of Group revenues and 83% of Group profit before tax and reorganisation costs.

We focused on the following areas:

- Inventory obsolescence provision;
- Tax provisioning;
- Reorganisation costs, and
- Hedging and financing activities.

Independent Auditor's Report to the members of Electrocomponents plc

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Inventory obsolescence provision *Refer to page 45 (Audit Committee Report), page 108 (Note 17 Inventories) and page 88 (Basis of Preparation)* The balance of gross inventories at 31 March 2016 was £297.6 million, against which a provision of £28.2 million was held. The valuation of inventory was a focus of our audit for the following reasons • Electrocomponents' business model is based on having the broadest range in the industry and delivering products on time, often next day. This results in large quantities of inventory comprising many different types of product, being held for long periods of time which raises the risk of obsolescence of inventory. • There is uncertainty about the impact of technological advances, expiry dates, and future sales levels which require management to make assumptions based on information available at period end. The inventory provision is calculated within the Group's accounting systems using an automated process. Where necessary manual overlays are applied to this provision to account for unusual circumstances that may have arisen during the year.	We obtained an understanding of the inventory provisioning methodology and how it is applied. We assessed the completeness of the data used by the system to calculate the provision by agreeing the subledger to the general ledger. We recalculated the provision to ensure mathematical accuracy. We noted no material exceptions. We challenged the reasonableness of management's judgement regarding the obsolescence percentage applied and expected future sales levels by comparing these assumptions to historic write-offs and historic sales and found the assumptions to be reasonable. We tested manual overlays to the automated calculation by understanding the market-specific considerations behind the adjustments and whether there was a right of return under the contractual arrangements. We noted no material exceptions.

Area of focus	How our audit addressed the area of focus
Reorganisation costs *Refer to page 93 (Note 5 Reorganisation costs)* The Group has incurred reorganisation costs of £41.9 million during the year, following the announcement of the strategic Performance Improvement Plan, which have been classified as exceptional. The costs relate to centralisation of processes, streamlining of operations and changes in the ecommerce infrastructure. There can be complexity in the timing of recognition of costs, completeness of the costs included and whether items are truly one-off and exceptional in nature.	We examined the nature of costs presented as exceptional, and obtained a broader understanding of the impact of the Group's reorganisation. We tested the costs settled during the year and accrued at the year end, verifying the obligations that existed at the balance sheet date. We noted no material exceptions. We challenged the reasonableness of management's judgement regarding identification of the costs presented as exceptional. In particular we verified that intangible assets written off were linked to Board approved strategic reorganisation and that the remaining assets were in respect of ongoing projects. We also considered the appropriateness of the presentation and disclosure by management of the reorganisation costs as one-off, including discussions with senior management, review of Board papers, and internal communications made to staff to ensure that the nature of the costs and classification is consistent with the accounting principles. We noted no material exceptions.
Tax provisioning *Refer to page 88 (Basis of Preparation) and page 101 (Note 9 Income tax expense)* The group continues to provide for uncertain tax positions in respect of transfer pricing. The provision is based on the estimates of the potential outcome of audits by tax authorities in jurisdictions in which the group operates. Due to reorganisation of the Group's operations carried out in the second half of the year, we have also considered the tax treatment of exceptional costs as the impact of these could be material.	Similar to the approach adopted in the prior year, we involved our teams in key jurisdictions to assess the reasonableness of provisions held in the context of local tax law and any new developments in the application of these laws. We have also considered the impact of audits which have been concluded during the year on the level of provisions to assess the accuracy of management's estimates of potential tax exposures. We discussed with management its rationale for the tax treatment of exceptional costs. Management commissioned a study by the Group's external advisers to specifically consider the treatment of the reorganisation costs in respect of transfer pricing. We reviewed this study and noted it to be consistent with the conclusions reached by our own transfer pricing specialists. We assessed this approach based on our knowledge of tax legislation and the current position adopted by tax authorities on similar matters. We found management's treatment of these costs to be supportable.

Independent Auditor's Report to the members of Electrocomponents plc

Area of focus	How our audit addressed the area of focus
Hedging and financing activities Refer to page 88 (Basis of Preparation) and page 110 (Note 21 Financial Instruments) The Group uses derivative financial instruments to hedge currency and interest rate exposures on assets, liabilities and future cash flows in accordance with parameters approved by the Board. The net fair value of forward foreign exchange contracts was a liability of £4.6 million and the net fair value of interest rate swaps was an asset of £11.2 million at 31 March 2016. In particular the Group hedges the currency risk on its external debt, net investments in overseas operations and on future purchases. In addition, the Group hedge the interest rate risk on its external debt. Rules on accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility. Following the updated guidance from the IFRS Interpretation Committee on cash pool netting in April 2016, management has reassessed its accounting policy in this area. This has resulted in a change of presentation in respect of the multi-currency cash pools to reflect the updated accounting requirements to physically net balances at the year end going forwards.	We examined the nature of the hedge relationships that were entered into and whether these were in line with the Group's treasury strategy. For the derivatives outstanding at the year end we assessed their completeness and existence through obtaining external confirmations and their fair value through performing our own independent calculations. We noted no material exceptions. We checked compliance with specific hedge accounting requirements for net investment, fair value and cash flow hedging. We considered whether the hedge accounting documentation and effectiveness rules were met and whether hedge accounting could be achieved. Our work examined the accounting treatment applied for derivatives, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item. We noted no material exceptions. We also considered the appropriateness of the disclosure of financial instruments and the related hedge accounting by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles. We confirmed that management has the legal right of off-set on the single currency cash pools and we have considered management's intent to net settle both in the current year and under the updated guidance going forward. We considered the accounting policy change in respect of the multi-currency cash pools and associated disclosure within the financial statements to determine if this is consistent with the accounting principles and how the cash pools are managed. We noted no material exceptions.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group's accounting process is structured around a local finance function in 21 countries, which report into a centralised Group finance function. The local finance functions maintain their own accounting records and controls and report to the Group finance team through an integrated consolidation system.

In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of the UK, US, Germany, France, Italy, China and Electrocomponents Plc. In each country we used PwC component auditors to audit and report on the aggregated financial information of that country.

Where the work was performed by component auditors, under our instruction, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. In the current year the Group team visited all of the component teams to obtain an understanding of the local environment and any audit risks arising. We directed the work of component teams, reviewed the component team audit files and participated in the closing meetings of the significant components.

The components that are part of our audit scope as set out above account for 79% of group revenues and 83% of group profit before tax and reorganisation costs.

The group consolidation, financial statement disclosures and financial statement items accounted for centrally, including goodwill impairment, derivative financial instruments, share based payments, and inventory provisioning were also audited by the group engagement team at the head office.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£3.6 million (2015: £3.7 million).
How we determined it	5% of profit before tax reorganisation costs of £41.9 million (see Note 5)
Rationale for benchmark applied	We believe that profit before tax adjusted for one-off items is the key measure used by the shareholders as a body in assessing the group's performance. We consider that excluding the reorganisation costs is appropriate as this provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.18 million (2015: £0.19 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 24, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 38 to 42 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Independent Auditor's Report to the members of Electrocomponents plc

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

● information in the Annual Report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report.
● the statement given by the directors on page 74, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit.	We have no exceptions to report.
● the section of the Annual Report on page 43, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

● the directors' confirmation on page 24 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
● the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
● the directors' explanation on page 24 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 74, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditor's Report to the members of Electrocomponents plc

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 May 2016

Group Income Statement
For the year ended 31 March 2016

	Notes	2016 £m	As re-presented* 2015 £m
Revenue	2,3	1,291.1	1,266.2
Cost of sales		(729.6)	(701.5)
Gross profit		561.5	564.7
Distribution and marketing expenses		(449.5)	(446.7)
Central costs		(71.9)	(16.8)
Operating profit		40.1	101.2
Financial income	2	2.3	2.0
Financial expense	2	(7.5)	(7.1)
Profit before tax	2,3,4	34.9	96.1
Income tax expense	9	(13.0)	(25.8)
Profit for the year attributable to the equity shareholders of the Parent Company		21.9	70.3
Earnings per share			
Basic	11	5.0p	16.0p
Diluted	11	5.0p	15.9p
Dividends			
Amounts recognised in the period:			
Final dividend for the year ended 31 March 2015	10	6.75p	6.75p
Interim dividend for the year ended 31 March 2016	10	5.00p	5.00p

A final dividend of 6.75p per share relating to the year has been proposed since the year end.

The notes on pages 88 to 125 form part of these Group accounts.

	Notes	2016 £m	As re-presented* 2015 £m
Headline operating profit			
Operating profit		40.1	101.2
Reorganisation costs and pension credit		41.9	(16.0)
		82.0	85.2
Headline profit before tax			
Profit before tax		34.9	96.1
Reorganisation costs and pension credit	5	41.9	(16.0)
		76.8	80.1
Headline earnings per share			
Basic	11	12.6p	13.2p
Diluted	11	12.6p	13.2p

*Re-presented for the changes in the Group reporting structure. Refer to note 3 on page 91 for more details.

Group Balance Sheet

As at 31 March 2016

Company number: 647788

	Notes	2016 £m	As restated* 2015 £m	As restated* 2014 £m
Non-current assets				
Intangible assets	12	**241.3**	248.1	219.8
Property, plant and equipment	13	**96.0**	100.8	104.6
Investments	15	**0.7**	0.6	0.4
Other receivables	18	**2.1**	3.7	5.3
Other financial assets	21	**11.2**	13.8	3.7
Deferred tax assets	22	**9.3**	11.8	8.9
Non-current assets held for sale	13	**5.1**	–	–
		365.7	378.8	342.7
Current assets				
Inventories	17	**269.4**	285.1	258.8
Trade and other receivables	18	**231.9**	218.7	214.8
Income tax receivables		**0.8**	2.2	8.3
Cash and cash equivalents	26	**34.5**	39.0	37.7
		536.6	545.0	519.6
Current liabilities				
Trade and other payables	19	**(201.9)**	(204.3)	(185.4)
Provisions and other liabilities	5	**(9.5)**	(0.7)	–
Loans and borrowings	20	**(26.2)**	(77.5)	(52.8)
Other financial liabilities	20	**–**	–	(0.7)
Income tax liabilities		**(2.4)**	(7.9)	(15.5)
		(240.0)	(290.4)	(254.4)
Net current assets		**296.6**	254.6	265.2
Total assets less current liabilities		**662.3**	633.4	607.9
Non-current liabilities				
Other payables	19	**(7.7)**	(7.9)	(11.8)
Retirement benefit obligations	8	**(43.3)**	(60.4)	(40.9)
Loans and borrowings	20	**(184.6)**	(127.9)	(131.4)
Other financial liabilities	20	**–**	(0.1)	(0.1)
Deferred tax liabilities	22	**(70.9)**	(68.8)	(59.4)
		(306.5)	(265.1)	(243.6)
Net assets		**355.8**	368.3	364.3
Equity				
Called-up share capital	25	**44.1**	44.0	44.0
Share premium account		**43.5**	41.9	41.5
Retained earnings		**242.9**	258.3	268.2
Cumulative translation reserve		**33.8**	23.4	10.4
Other reserves		**(8.5)**	0.7	0.2
Equity attributable to the equity shareholders of the Parent Company		**355.8**	368.3	364.3

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

These Group accounts were approved by the Board of Directors on 19 May 2016 and signed on its behalf by:

David Egan
Group Finance Director

Lindsley Ruth
Group Chief Executive

The notes on pages 88 to 125 form part of these Group accounts.

Group Cash Flow Statement

For the year ended 31 March 2016

Financial Statements

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Profit before tax	2,3,4	34.9	96.1
Depreciation and other amortisation		29.6	30.5
Loss on disposal/write off of non-current assets		15.6	0.2
Equity-settled transactions		2.9	1.5
Finance income and expense		5.2	5.1
Non-cash movement on investment in associate		(0.1)	(0.2)
Operating cash flow before changes in working capital, interest and taxes		88.1	133.2
Decrease (increase) in inventories		22.1	(23.3)
Increase in trade and other receivables		(6.6)	(8.2)
(Decrease) increase in trade and other payables		(10.8)	10.8
Increase in provisions	5	8.1	0.7
Cash generated from operations		100.9	113.2
Interest received		2.3	2.0
Interest paid		(7.5)	(7.1)
Income tax paid		(20.2)	(21.6)
Net cash from operating activities		75.5	86.5
Cash flows from investing activities			
Capital expenditure		(28.9)	(37.6)
Proceeds from sale of property, plant and equipment		–	0.1
Net cash used in investing activities		(28.9)	(37.5)
Free cash flow		46.6	49.0
Cash flows from financing activities			
Proceeds from the issue of share capital		1.7	0.4
Purchase of own shares		(2.3)	(0.6)
Loans drawn down		63.6	25.1
Loans repaid		(54.5)	–
Equity dividends paid	10	(51.6)	(51.6)
Net cash used in financing activities		(43.1)	(26.7)
Net increase in cash and cash equivalents		3.5	22.3
Cash and cash equivalents at the beginning of the year		5.5	(15.1)
Effect of exchange rate fluctuation on cash		(0.7)	(1.7)
Cash and cash equivalents at the end of the year	26	8.3	5.5

The notes on pages 88 to 125 form part of these Group accounts.

		2016 £m	2015 £m
Headline free cash flow			
Free cash flow	26	46.6	49.0
Reorganisation cash flow	5	16.0	3.3
		62.6	52.3

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2016

	Notes	2016 £m	2015 £m
Profit for the year		**21.9**	70.3
Other comprehensive income			
Items that are not reclassified subsequently to the income statement			
Remeasurement of pension deficit	8	**16.3**	(36.9)
Taxation relating to remeasurement of pension deficit		**(4.6)**	7.4
Items that are reclassified subsequently to the income statement			
Foreign exchange translation differences		**10.4**	13.0
Net (loss) gain on cash flow hedges		**(6.4)**	1.0
Taxation relating to components of other comprehensive income		**(0.7)**	(0.3)
Other comprehensive income (expense) for the year		**15.0**	(15.8)
Total comprehensive income for the year		**36.9**	54.5

The notes on pages 88 to 125 form part of these Group accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital £m	Share premium £m	Other reserves: Hedging reserve £m	Other reserves: Own shares held £m	Other reserves: Cumulative translation £m	Retained earnings £m	Total £m
At 1 April 2015	44.0	41.9	1.6	(0.9)	23.4	258.3	368.3
Profit for the year	–	–	–	–	–	21.9	21.9
Foreign exchange translation differences	–	–	–	–	10.4	–	10.4
Remeasurement of pension deficit	–	–	–	–	–	16.3	16.3
Net loss on cash flow hedges	–	–	(6.4)	–	–	–	(6.4)
Taxation relating to components of other comprehensive income	–	–	(0.7)	–	–	(4.6)	(5.3)
Total comprehensive income	–	–	(7.1)	–	10.4	33.6	36.9
Equity-settled transactions	–	–	–	–	–	2.9	2.9
Dividends paid	–	–	–	–	–	(51.6)	(51.6)
Shares allotted in respect of share awards	0.1	1.6	–	0.2	–	(0.2)	1.7
Own shares acquired	–	–	–	(2.3)	–	–	(2.3)
Related tax movements	–	–	–	–	–	(0.1)	(0.1)
At 31 March 2016	44.1	43.5	(5.5)	(3.0)	33.8	242.9	355.8

	Share capital £m	Share premium £m	Other reserves: Hedging reserve £m	Other reserves: Own shares held £m	Other reserves: Cumulative translation £m	Retained earnings £m	Total £m
At 1 April 2014	44.0	41.5	0.9	(0.7)	10.4	268.2	364.3
Profit for the year	–	–	–	–	–	70.3	70.3
Foreign exchange translation differences	–	–	–	–	13.0	–	13.0
Remeasurement of pension deficit	–	–	–	–	–	(36.9)	(36.9)
Net gain on cash flow hedges (see note 21)	–	–	1.0	–	–	–	1.0
Taxation relating to components of other comprehensive income	–	–	(0.3)	–	–	7.4	7.1
Total comprehensive income	–	–	0.7	–	13.0	40.8	54.5
Equity-settled transactions	–	–	–	–	–	1.5	1.5
Dividends paid	–	–	–	–	–	(51.6)	(51.6)
Shares allotted in respect of share awards	–	0.4	–	0.4	–	(0.4)	0.4
Own shares acquired	–	–	–	(0.6)	–	–	(0.6)
Related tax movements	–	–	–	–	–	(0.2)	(0.2)
At 31 March 2015	44.0	41.9	1.6	(0.9)	23.4	258.3	368.3

The notes on pages 88 to 125 form part of these Group accounts.

Notes to the Group Accounts

1 Basis of preparation

Basis of consolidation

Electrocomponents plc (the Company) is a company domiciled in England. The Group Accounts for the year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in a jointly controlled entity. Subsidiaries are entities controlled by the Company. All significant subsidiary accounts are made up to 31 March and are included in the Group Accounts. Further to the IAS Regulation (EC 1606/2002) the Group Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (adopted IFRS). The Company Accounts continue to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS102), and details of the Company Accounts, notes to the accounts and principal accounting policies are set out on pages 126 to 140.

The accounts were authorised for issue by the Directors on 19 May 2016.

Basis of preparation

The accounts are presented in £ Sterling and rounded to £0.1 million.

They are prepared on a going concern basis, (as referred to in the Strategic Report on page 24), and on the historical cost basis except certain financial instruments detailed below.

Estimates and judgements

The preparation of accounts in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable, under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made in the accounts for the year ended 31 March 2016 were in relation to pensions (note 8), goodwill (note 12), inventories (note 17) and taxation (note 9 and note 22). Further details on the application of these judgements can be found in the relevant notes.

Statement of compliance

The Group Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the EU.

Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing Group Accounts. Unrealised gains arising from transactions with the jointly controlled entity are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains.

Foreign currency

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Net investment in foreign operations

Exchange differences arising from the translation of foreign operations, and of related qualifying hedges are taken directly to equity. They are released into the income statement upon disposal.

The elective exemption in IFRS 1 means that any translation differences prior to the date of transition (1 April 2004) do not need to be analysed retrospectively and so the deemed cumulative translation differences at this date can be set to £nil. Thus, any cumulative translation differences arising prior to the date of transition are excluded from any future profit or loss on disposal of any entities. The Group adopted this exemption.

1 Basis of preparation continued

Foreign currency transactions

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Changes in accounting policies

The following standards and interpretations have been enacted, but are not yet in effect, and may have an impact on these accounts:

IFRS 9 Financial Instruments

This standard was originally issued in November 2009 to review and replace IAS 39 – 'Financial Instruments: Recognition and Measurement' The standard will be applicable for annual periods beginning on or after 1 January 2018. The effect on the Group is still being evaluated.

IFRS 15 Revenue from Contracts with Customers

This standard is effective for accounting periods beginning on or after 1 January 2018. A review of the impact of adopting this standard has been carried out and it is not expected to have a material impact on the Group's reported position or performance.

IFRS 16 Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. The effect on the Group is still being assessed.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

The following standards and interpretations have been enacted, and have an impact on these accounts:

IAS 32 Financial Instruments: Presentation – Offsetting and cash pooling (IFRIC guidance)

Following the recent guidance from the International Financial Reporting Interpretations Committee (IFRIC), the Group has reviewed its accounting policy relating to the treatment of cash pools. The Group has a legal right of offset for all single currency cash pools in operation and has the intent to net settle these pools, which will be demonstrated at reporting periods going forward, in line with new guidance. As the Group does not intend to do this for its multi-currency pools, the accounting policy has been revised and these have been presented as gross. The balance sheets as at 31 March 2014 and 2015 have been restated to reflect this treatment (refer to note 21 on pages 110 to 121 for more detail).

2 Analysis of income and expenditure

Adjusted measures

Profit measures such as operating profit, profit before tax and earnings per share are also presented as being results before reorganisation costs/pension income or as headline results. Similarly a cash flow term: free cash flow, representing the Group's cash flow before financing activities is also disclosed.

These measures are used by the Group for internal reporting purposes and employee incentive arrangements. The terms 'reorganisation/pension changes', 'headline' and 'free cash flow' are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies. Likewise, these measures are not a substitute for GAAP measures of profit or cash flow.

Revenue

Revenue from the sale of goods is recognised in the income statement on dispatch when the significant risks and rewards of ownership have been transferred. Revenue represents the sale of goods and services and is stated net of sales taxes and volume discounts. Freight recharged to customers is included within revenue.

Notes to the Group Accounts continued

2 Analysis of income and expenditure continued

Vendor Rebates

The Group receives rebates from certain vendors relating mainly to the volume of purchases made in a specified time period. These rebates are recognised as a reduction in cost of sales. The Group recognises the rebate only where there is evidence of a binding arrangement with the vendor, the amount can be estimated reliably and receipt is probable.

In calculating the value of vendor rebate to be recognised, the Group must estimate i) the volume of purchases over the rebate period and ii) the amount of products sold and the amount remaining in inventory based on the turnover of inventories.

Operating expense classification

Cost of sales comprises the cost of goods delivered to customers.

Distribution and marketing expenses are attributable to the region to which they relate and comprise the identification, introduction and sourcing of the Group's products, managing supplier relationships, developing the Group's strategy, managing the Group's stock (both quantity and location) and the Group's worldwide IT infrastructure, local costs relating to the selling, marketing and distribution of the Group's products.

Central costs comprise Group Finance, Legal and Group Human Resources expenses, together with the expenses of the Group Board.

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest rate method. The interest expenses component of finance lease payments is recognised in the income statement using the effective interest rate method.

Borrowing costs

Borrowing costs are recognised in the income statement as incurred. Other interest payable includes interest charges on the unhedged portion of the Private Placement loan notes.

Reconciliation of segmental reporting to the income statement

This analysis reconciles the Income Statement presentation to the segmental reporting shown in note 3.

	2016 £m	As re-presented* 2015 £m
Revenue	**1,291.1**	1,266.2
Cost of sales	**(729.6)**	(701.5)
Gross Profit	**561.5**	564.7
Distribution and marketing costs (excluding reorganisation costs)	**(449.5)**	(446.7)
Headline contribution	**112.0**	118.0
Central costs (excluding reorganisation costs)	**(30.0)**	(32.8)
Reorganisation costs and pension credit	**(41.9)**	16.0
Net finance costs	**(5.2)**	(5.1)
Profit before tax	**34.9**	96.1

*Re-presented for the changes in the Group reporting structure.

3 Segmental reporting

In accordance with IFRS 8 Operating Segments, Group management has identified its operating segments. The performance of these operating segments is reviewed, on a monthly basis, by the Chief Executive Officer and the Executive Management Team.

During the year, the Group has reorganised its operating segments, which are now organised into five operating hubs and one segment of central costs. These hubs are: Northern Europe, Southern Europe, Central Europe, Asia Pacific (APAC) and Emerging Markets, and North America. Each segment is comprised of a hub market with one or more associated local markets

Northern Europe's hub is the UK, with associated local markets in Denmark, Norway, Sweden and Republic of Ireland. Southern Europe's hub is France, with associated local markets in Italy, Spain and Portugal. Central Europe's hub is Germany, with associated local markets in Austria, Switzerland, the Netherlands, Belgium, Poland, Hungary and the Czech Republic. North America's hub is the United States of America, with an associated local market in Canada. Asia Pacific and Emerging Markets has a hub in Hong Kong and local markets in Japan, Australia, New Zealand, Singapore, Malaysia, Philippines, Thailand, Taiwan, People's Republic of China, South Korea, Chile, South Africa and exports to distributors where the Group does not have a local operating company.

Each reporting segment derives its revenue from the high service level distribution of Industrial and Electronics products.

Intersegment pricing is determined on an arm's length basis, comprising sales of product at cost and a handling charge included within distribution and marketing expenses.

	2016 £m	2015 £m
Revenue from external customers		
Northern Europe	**384.2**	383.4
Southern Europe	**250.4**	239.0
Central Europe	**173.4**	169.2
Europe	**808.0**	791.6
APAC and Emerging Markets	**163.2**	171.9
North America	**319.9**	302.7
Group	**1,291.1**	1,266.2

	2016 £m	2015 £m
Contribution		
Northern Europe	**68.3**	68.0
Southern Europe	**23.0**	25.5
Central Europe	**6.3**	7.4
Europe	**97.6**	100.9
APAC and Emerging Markets	**(21.9)**	(21.6)
North America	**36.3**	38.7
Group	**112.0**	118.0

	2016 £m	2015 £m
Reconciliation of contribution to profit before tax		
Contribution	**112.0**	118.0
Reorganisation costs and pension credit	**(41.9)**	16.0
Central costs (excluding reorganisation costs)	**(30.0)**	(32.8)
Net financial expense	**(5.2)**	(5.1)
Profit before tax	**34.9**	96.1

Net financial expenses and income tax are not included or reviewed as a measure of performance of a reportable segment, but as total costs to the Group. Therefore no segmental information has been provided.

Notes to the Group Accounts continued

3 Segmental reporting continued

	2016 £m	2015 £m
Capital expenditure		
Northern Europe	23.6	30.2
Southern Europe	0.4	0.2
Central Europe	0.3	0.3
Europe	24.3	30.7
APAC and Emerging Markets	0.4	1.5
North America	3.2	3.6
Group	27.9	35.8

	2016 £m	2015 £m
Depreciation and amortisation		
Northern Europe	22.5	24.4
Southern Europe	0.9	1.1
Central Europe	0.9	0.9
Europe	24.3	26.4
APAC and Emerging Markets	0.9	1.2
North America	4.4	2.9
Group	29.6	30.5

The intangible assets and property, plant and equipment of the Group are reported within the geographic region in which they are held. The depreciation and amortisation of assets are expensed through the geography where they are held but for segmental purposes are allocated to a hub based on activity.

The Group is now structured into two divisions: Industrial and Electronics.

	2016 £m	2015 £m
Industrial	861.1	838.7
Electronics	430.0	427.5
Group	1,291.1	1,266.2

4 Profit before tax

	2016 £m	2015 £m
Profit before tax is stated after charging (crediting):		
Fees payable to the company's auditors for the audit of the Parent Company and Group accounts	0.1	0.1
Fees payable to the company's auditors and its associates for other services:		
Audit-related assurance services	0.1	0.1
The audit of the company's subsidiaries, pursuant to legislation	0.7	0.6
Depreciation of tangible assets	10.8	10.8
Amortisation of intangible assets	18.8	19.7
Amortisation of government grants	(0.1)	(0.2)
Loss on disposal of intangible assets - write-off	15.1	0.2
Loss on disposal of property, plant and equipment	0.5	–
Hire of plant and machinery	7.9	7.9

5 Reorganisation costs

Reorganisation costs arising during the year were as follows:

	2016 £m	2015 £m
Labour restructuring charge	(23.0)	(4.4)
Cost of exiting facilities	(3.9)	–
Website write-down	(11.2)	–
Other write-downs	(3.8)	–
Reorganisation costs	(41.9)	(4.4)
Pension credit	–	20.4
Total net reorganisation costs and pension credit	(41.9)	16.0

During the year, the Group undertook restructuring activities in several markets in line with the Group strategy. The costs incurred included £23.0 million relating to labour restructuring in line with the Group reorganisation and efficiency programme and £3.9 million relating to the closure of facilities, primarily the warehouse in Singapore. There was a further non-cash write down of £11.2 million relating to development on a new website and £3.8 million relating to a number of smaller IT projects halted during the year. £15.3 million was paid in the year, a further £17.1 million related to non-cash items with the remaining £9.5 million held within provisions due in less than one year.

During the year ended 31 March 2015, the Group undertook restructuring activities and incurred costs of £4.4 million relating to redundancy and associated consultancy costs. The Group also made changes to the defined benefit pension scheme resulting in a one-off credit of £20.4 million.

6 Employees

Numbers employed	2016	2015
The average number of employees during the year was:		
Management and administration	728	726
Distribution and marketing	5,296	5,519
	6,024	6,245

Aggregate employment costs	2016 £m	2015 £m
Wages and salaries	178.5	188.8
Social security costs	21.0	21.9
Share based payments	3.0	2.0
Pension costs	19.8	19.3
	222.3	232.0
Labour exit costs	22.3	4.4
	244.6	236.4

6 Employees continued

Directors' emoluments

Aggregate emoluments	2016 £000 Highest paid director	2016 £000 Other directors	2015 £000 Highest paid director	2015 £000 Other directors
Aggregate emoluments	702.0	295.7	706.7	474.5
Termination payments	–	448.5	865.0	–
Deferred share plans	65.5	3.8	–	33.3
Cash supplement in lieu of pension	110.0	92.1	176.5	170.8
Gains realised on exercise of share options	–	–	9.8	–
	877.5	840.1	1,758.0	678.6

Number of directors	2016	2015
Exercising share options	–	2
Receiving shares as part of long term incentive schemes	2	2

This table reflects the amounts paid to directors during the year. Further detailed information is available on Directors' Remuneration in the Directors' Remuneration Report on pages 50 to 73.

7 Share-based payments

Employee benefits

Share-based payment transactions

The Group operates several share-based payment schemes, the largest of which are the Save As You Earn Scheme (SAYE), the Long Term Incentive Plan (LTIP), Recruitment Award and the Deferred Share Bonus Plan (DSBP). Details of these are provided below.

Equity-settled share-based schemes are measured at fair value at the date of grant. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The income statement charge is then adjusted to reflect expected and actual levels of vesting based on non market performance related criteria.

Cash-settled share options are measured at fair value at the balance sheet date. The Group recognises a liability at the balance sheet date based on these fair values, taking into account the estimated number of options that will actually vest and the relative completion of the vesting period. Changes in the value of this liability are recognised in the income statement for the year.

Central costs and distribution and marketing expenses include the cost of the share-based payment schemes.

Shares in the Company, held by the trust established to administer the schemes, are shown within reserves.

The total charge included in the Income Statement in the year was £3.0 million (2015: £2.0 million). Of the total charge £2.9 million (2015: £1.5 million) related to equity-settled share schemes and £0.1 million (2015: £0.5 million) related to cash-settled share schemes.

Deferred Share Bonus Plan

Under the Company's DSBP, conditional awards of shares are made to plan participants to the value of 50% of their cash bonus. The award vests after two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. A cash payment equivalent to the dividends that would have accrued on the shares will be made to the participants on vesting.

During the year a total of 58,680 shares (2015: 214,958) were conditionally awarded to the scheme's participants.

Deferred shares relating to the bonus awards to senior managers for the year ended 31 March 2016 will be awarded in June 2016.

7 Share-based payments continued

Details of conditional awards of shares and cash entitlements outstanding as at 31 March 2016 are set out below:

	Number of shares 2016	Number of shares 2015
Shares	**197,151**	195,316

Long Term Incentive Plan

Under the Group's LTIP, conditional awards of shares are made to the plan participants. At the vesting date the share award will either vest, in full or in part, or lapse. The awards include a right to receive dividend equivalents on vesting. The terms and conditions of the LTIP are such that the vesting conditions are based on both the performance of the Group versus the FTSE 250 and growth in Earnings Per Share over the life of the scheme.

The fair value of LTIP options was calculated at the grant date using a Monte Carlo model based on the assumptions below.

	LTIP 2015	LTIP 2014	LTIP 2013	LTIP 2012
Options granted	**1,575,523**	1,098,438	1,068,944	1,606,980
Fair value at grant date	**112p**	116p	108p	105p
Assumptions used				
Share price	**239p**	264p	256p	226p
Exercise price	**Nil**	Nil	Nil	Nil
Expected volatility	**33.4%**	31.9%	32.0%	32.1%
Expected option life	**3 years**	3 years	3 years	3 years
Expected dividend yield	**4.95%**	4.74%	5.09%	5.10%
Risk free interest rate	**1.07%**	0.85%	0.58%	0.20%

Volatility was estimated based on the historical volatility of the shares over a three year period up to the date of grant.

Save As You Earn Schemes

The SAYE schemes are available to the majority of employees of the Group. The option price is based on the average market price of the Company's shares over the three days prior to the offer, discounted by 20%. The option exercise conditions are the employees' continued employment for a three year period and the maintenance of employees' regular monthly savings. Failure of either of these conditions is normally deemed a forfeiture of the option. At the end of the period the employee has six months to either purchase the shares at the agreed price, or withdraw their savings with the accrued interest. There are no market conditions to the vesting of the options.

	SAYE 3 yr 2015	**SAYE 5 yr 2015**	SAYE 3 yr 2014	SAYE 5 yr 2014	SAYE 3 yr 2013	SAYE 5 yr 2013	SAYE 3 yr 2012	SAYE 5 yr 2012	SAYE 5 yr 2011
Options granted	**1,601,296**	**545,337**	1,075,809	390,151	622,275	265,910	1,223,209	466,184	299,559
Fair value at grant date	**55.8p**	**52.9p**	47.7p	44.9p	52.0p	47.3p	40.2p	37.1p	45.0p
Assumptions used									
Share price	**239p**	**239p**	264p	264p	256p	256p	201p	201p	269p
Exercise price	**191p**	**191p**	227p	227p	214p	214p	164p	164p	235p
Expected volatility	**33.4%**	**30.9%**	31.9%	34.1%	32.0%	36.4%	32.1%	36.1%	33.1%
Expected option life	**3 years**	**5 years**	3 years	5 years	3 years	5 years	3 years	5 years	5 years
Expected dividend yield	**4.95%**	**5.18%**	4.70%	6.20%	5.00%	7.10%	5.50%	7.40%	7.80%
Risk free interest rate	**1.07%**	**1.58%**	0.85%	0.60%	0.58%	0.40%	0.16%	0.40%	2.16%

Volatility was estimated based on the historical volatility of the shares over a three or five year period, as appropriate, up to the date of grant.

7 Share-based payments continued

Number and weighted average exercise price of share options (equity and cash settled)

	Weighted Average exercise price 2016	Number of options 2016 (000)	Weighted Average exercise price 2015	Number of options 2015 (000)
Outstanding at the beginning of the year	100p	10,586	80p	9,045
Forfeited during the year	206p	(141)	198p	(100)
Lapsed during the year	47p	(3,925)	60p	(1,817)
Exercised during the year	73p	(2,348)	153p	(675)
Granted during the year	80p	5,161	118p	4,133
Outstanding at the end of the year	114p	9,333	100p	10,586
Exercisable at the end of the year	n/a	–	n/a	–

Number of options	2016 (000)	2015 (000)
Option prices		
£nil – £1.00	4,085	5,263
£1.00 – £2.00	2,928	2,176
£2.00 – £3.00	2,320	3,147
	9,333	10,586

Recruitment Award

During the year, Lindsley Ruth was awarded share options under the Recruitment Award plan. The value of the award is based on the average of the closing middle market quotations of the shares for the 30 calendar days before the announcement of Lindsley's recruitment made on 29 February 2015, (209.9p) multiplied by the number of shares awarded. The Award will vest subject, in normal circumstances, to continued service, and to the Remuneration Committee being satisfied that the remuneration arrangements have been forfeited. There are no other performance conditions.

Details of conditional awards of shares and cash entitlements outstanding as at 31 March 2016 are set out below:

	Number of shares	
	2016	2015
Shares	513,784	–

During the year a total of 513,784 shares were awarded. 256,892 shares will vest on 31 December 2017, and 256,892 shares will vest on 31 December 2018.

8 Pension schemes

Employee benefits

Pension costs

In the UK the Group operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2003. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. In addition there are material defined benefit pension schemes in Germany and the Republic of Ireland, and other retirement indemnity schemes in France and Italy.

For UK employees who joined after 1 April 2003 the Group provides a defined contribution pension scheme. There are also defined contribution schemes in Australia, North America, Germany and the Republic of Ireland, and government schemes in France, Italy, Scandinavia and North Asia. Obligations for contributions to defined contribution schemes are recognised as an expense in the income statement as incurred.

The cost of the defined benefit scheme charged to the income statement comprises: service cost, net interest cost and administrative expenses and taxes. The Group has elected to adopt the amendment to IAS 19 (revised), which allows actuarial gains and losses to be recorded in the Consolidated Statement of Comprehensive Income immediately.

Obligations are measured at present value using the projected unit credit method and a discount rate reflecting yields on high quality corporate bonds. Assets are measured at their fair value at the balance sheet date.

The funding of the UK defined benefit scheme is assessed in accordance with the advice of independent actuaries. The net UK pension cost for the year ended 31 March 2016 amounted to £6.5 million (2015: £14.5 million credit). The contributions paid by the Group to the defined contribution section of the scheme amounted to £6.9 million (2015: £5.2 million)

The defined benefit schemes expose the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. For the UK scheme, following consultation with the Company, the Trustees have adopted an investment policy to mitigate some of these risks. In particular, the scheme holds leveraged matching funds which offset some interest and inflation rate risks in respect of pensioner liabilities.

The rules of the UK Electrocomponents Group Pension scheme give the Trustee powers to wind up the scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. Although the scheme is currently in deficit on a statutory funding basis, the Trustee and the Company have agreed a plan to eliminate the deficit over time and the Trustee has confirmed as at 7 April 2016 that it has no current intention of exercising its power to wind up the scheme.

The costs of the defined benefit pension scheme in Germany and Republic of Ireland were £0.1 million (2015: £0.3 million). The costs of the defined contribution schemes in Australia, North America, Germany and Republic of Ireland were £2.1 million (2015: £3.0 million), and those via government retirement indemnity schemes in France, Italy, Scandinavia and North Asia were £1.9 million (2015: £2.2 million).

The Group expects to pay £10.4 million to its UK defined benefit pension scheme in 2016/17.

The principal assumptions used in the valuations of the liabilities of the Group's material schemes were:

	2016 UK	**2016 Germany**	**2016 Republic of Ireland**	2015 UK	2015 Germany	2015 Republic of Ireland
Discount rate	**3.60%**	**2.30%**	**2.30%**	3.30%	1.60%	1.60%
Rate of increase in pensionable salaries	**Nil**	**2.00%**	**n/a**	Nil	2.50%	n/a
Rate of RPI price inflation	**2.90%**	**1.75%**	**1.75%**	2.90%	1.75%	1.75%
Rate of CPI price inflation	**2.10%**	**1.75%**	**1.75%**	2.10%	1.75%	1.75%
Rate of pension increases						
RPI inflation capped at 5% p.a	**2.85%**	**n/a**	**n/a**	2.85%	n/a	n/a
RPI inflation capped at 2.5% p.a	**2.10%**	**n/a**	**n/a**	2.10%	n/a	n/a

The assumption on the rate of increase of pensionable salaries in the UK scheme has been restricted. This is due to the introduction of salary capping entitlement arrangements with respect to the defined benefit pension scheme in June 2008.

8 Pension schemes continued

Based upon the demographics of scheme members, the weighted average life expectancy assumptions used to determine benefit obligations were:

	2016 UK Years	2016 Germany Years	2016 Republic of Ireland Years	2015 UK Years	2015 Germany Years	2015 Republic of Ireland Years
Member aged 65 (current life expectancy) – male	22.5	19.1	21.1	22.4	19.0	20.9
Member aged 65 (current life expectancy) – female	24.2	23.2	23.6	24.1	23.1	23.5
Member aged 45 (life expectancy at aged 65) – male	23.9	22.4	24.1	23.8	19.1	24.0
Member aged 45 (life expectancy at aged 65) – female	26.4	26.3	26.2	26.3	24.2	26.1

The net costs (income) recognised in the Income Statement were:

	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m	2015 UK £m	2015 Germany £m	2015 Republic of Ireland £m	2015 Total £m
Current service cost	4.5	–	–	4.5	3.9	–	–	3.9
Past service cost	–	–	–	–	(20.4)	–	–	(20.4)
Interest expense on DBO	16.1	0.1	0.1	16.3	18.6	0.2	0.2	19.0
Interest income on plan assets	(14.7)	–	(0.1)	(14.8)	(17.1)	–	(0.1)	(17.2)
Administrative expenses	0.6	–	–	0.6	0.5	–	–	0.5
Charge for material defined benefit schemes	6.5	0.1	–	6.6	(14.5)	0.2	0.1	(14.2)
Other defined benefit schemes				1.7				1.9
Total Income Statement charge (credit)				8.3				(12.3)

Of the net cost for the year, a charge of £0.4 million (2015: £0.2 million) has been included in central costs and a charge of £6.2 million (2015: net credit of £14.7 million) in distribution and marketing expenses. The actual loss on scheme assets was: UK £4.9 million (2015: gain of £70.5 million), Germany £nil (2015: £nil) and Republic of Ireland £0.4 million (2015: gain of £1.3 million).

The valuation of the assets of the material schemes as at 31 March were:

	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2015 UK £m	2015 Germany £m	2015 Republic of Ireland £m
Quoted Managed Funds						
Diversified growth funds	115.0	n/a	n/a	122.2	n/a	n/a
Credit funds	14.0	n/a	1.8	13.9	n/a	1.8
Corporate bonds	42.3	n/a	n/a	16.2	n/a	n/a
Equities	n/a	n/a	3.6	n/a	n/a	3.5
Unquoted Managed Funds						
Equities	78.3	n/a	n/a	108.2	n/a	n/a
Diversified growth funds	68.6	n/a	n/a	62.6	n/a	n/a
Liquidity funds	0.1	n/a	n/a	12.0	n/a	n/a
Government bonds	54.1	n/a	n/a	49.8	n/a	n/a
Matching plus funds	65.1	n/a	n/a	62.5	n/a	n/a
Cash	0.5	n/a	n/a	1.2	n/a	n/a
Total market value of scheme assets	438.0	–	5.4	448.6	–	5.3

No amount is included in the market value of assets relating to either financial instruments or property occupied by the Group.

8 Pension schemes continued

The amount included in the balance sheet arising from the Group's obligations in respect of its material defined benefit pension schemes were:

	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m	2015 UK £m	2015 Germany £m	2015 Republic of Ireland £m	2015 Total £m
Total market value of assets	438.0	–	5.5	443.5	448.6	–	5.3	453.9
Present value of scheme liabilities	(468.4)	(7.5)	(6.1)	(482.0)	(495.8)	(7.7)	(6.7)	(510.2)
Schemes' deficit	(30.4)	(7.5)	(0.6)	(38.5)	(47.2)	(7.7)	(1.4)	(56.3)
Other defined benefit schemes				(4.8)				(4.1)
Retirement benefit obligations				(43.3)				(60.4)

The movement in present value of the material defined benefit obligations in the current period was:

	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m	2015 UK £m	2015 Germany £m	2015 Republic of Ireland £m	2015 Total £m
Present value of the defined benefit obligations at the beginning of the year	495.8	7.7	6.7	510.2	418.6	6.2	5.6	430.4
Movement in year:								
Current service cost	4.5	–	–	4.5	3.9	–	–	3.9
Past service cost	–	–	–	–	(20.4)	–	–	(20.4)
Interest expense	16.1	0.1	0.1	16.3	18.6	0.2	0.2	19.0
Insurance premiums for risk benefits	(0.1)	–	–	(0.1)	(0.1)	–	–	(0.1)
Effect of changes in demographic assumptions	–	–	–	–	–	–	(0.3)	(0.3)
Effect of changes in financial assumptions	(34.9)	(1.0)	(1.0)	(36.9)	86.6	2.3	2.3	91.2
Effect of experience adjustments	–	0.2	(0.2)	–	–	–	(0.1)	(0.1)
Benefits paid	(13.0)	(0.1)	(0.1)	(13.2)	(11.4)	(0.1)	(0.1)	(11.6)
Exchange differences	–	0.6	0.6	1.2	–	(0.9)	(0.9)	(1.8)
Present value of the defined benefit obligations at the end of the year	468.4	7.5	6.1	482.0	495.8	7.7	6.7	510.2

8 Pension schemes continued

The movement in present value of the fair value of material scheme assets in the current period was:

	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m	2015 UK £m	2015 Germany £m	2015 Republic of Ireland £m	2015 Total £m
Present value of the fair value of scheme assets								
at the beginning of the year	448.6	–	5.3	453.9	384.9	–	4.6	389.5
Movement in year:								
Interest income	14.7	–	0.1	14.8	17.1	–	0.2	17.3
Return on plan assets (excluding interest income)	(19.6)	–	(0.4)	(20.0)	53.4	–	1.3	54.7
Contributions by company	8.0	0.1	0.1	8.2	5.2	0.1	0.1	5.4
Benefits paid	(13.0)	(0.1)	(0.1)	(13.2)	(11.4)	(0.1)	(0.1)	(11.6)
Administrative expenses	(0.6)	–	–	(0.6)	(0.5)	–	–	(0.5)
Insurance premiums for risk benefits	(0.1)	–	–	(0.1)	(0.1)	–	–	(0.1)
Exchange differences	–	–	0.5	0.5	–	–	(0.8)	(0.8)
Present value of the fair value of scheme assets at the end of the year	438.0	–	5.5	443.5	448.6	–	5.3	453.9

The value of the assets held by external Additional Voluntary Contributions amounted to £0.1 million as at 31 March 2016 (2015: £0.1 million).

The value of the assets held by the defined contribution section of the UK scheme amounted to £47.4 million as at 31 March 2016 (2015: £43.1 million).

Sensitivity analysis of the impact of changes in key IAS 19 assumptions

The following analysis estimates the impact of various assumption changes on the UK defined benefit pension obligation.

Effect on obligation of a 0.1% increase to the assumed discount rate	Liabilities reduce by £10.9m
Effect on obligation of a 0.1% increase in the assumed inflation rate	Liabilities increase by £9.9m
Effect on obligation of an assumed increase in one year's life expectancy	Liabilities increase by £13.9m

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant, in practice changes in some of the assumptions may be correlated.

9 Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Judgement is required in determining the provision for income taxes. There are many transactions and calculations whose ultimate tax treatment is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes are likely to be due. The Group recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

9 Income tax expense continued

Taxation on the profit of the Group	2016 £m	2015 £m
UK corporation tax at 20% (2015: 21%)	(3.3)	4.0
UK deferred taxation	(1.9)	3.6
	(5.2)	7.6
Overseas current taxation	18.9	16.0
Overseas deferred taxation	(0.7)	2.2
Total income tax expense in Income Statement	13.0	25.8

Total tax expense is reconciled to a notional 20% (2015: 21%) of profit before taxation as follows:

Expected tax charge	7.1	20.1
Differences in overseas corporation tax rates	8.3	7.9
Impact of tax losses	1.9	(0.1)
Items not taxable for tax purposes	(5.2)	(2.6)
Other local taxes suffered overseas	0.3	0.8
Under (over) provision in prior years	0.6	(0.3)
	13.0	25.8

Tax expense (income) recognised directly in other comprehensive income

	2016 £m	2015 £m
Recognised in retained earnings		
Relating to remeasurement of pension deficit	4.6	(7.4)
Recognised in the hedging reserve		
Relating to gain (loss) on cash flow hedges	0.7	0.3
	5.3	(7.1)
Tax recognised directly in equity		
Relating to equity-settled transactions	0.1	0.2

The 2016 Budget announced that the UK corporation tax rate will reduce to 17% from 1 April 2020, This followed previously enacted legislation reducing the rate to 18% from the same date. This will apply to the company's future tax charge. Legislation to implement the additional 1% reduction has not yet been enacted and accordingly, both recognised and unrecognised UK deferred tax balances as at 31 March 2016 have been calculated at a rate of 18%.

Deferred taxation balances are analysed in note 22.

10 Dividends

	2016 £m	2015 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2015 – 6.75p (2014: 6.75p)	29.7	29.6
Interim dividend for the year ended 31 March 2016 – 5.0p (2015: 5.0p)	21.9	22.0
	51.6	51.6
Proposed dividend for the year ended 31 March 2016 – 6.75p	29.8	

The amount waived by the trustees of the Employee Benefit Trust in respect of the interim and final dividends was £0.1 million (2015: £0.1 million).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 20 July 2016 and has not been included as a liability in these accounts.

Notes to the Group Accounts continued

11 Earnings per share

	2016 £m	2015 £m
Profit for the year attributable to the equity shareholders of the parent company	**21.9**	70.3
Reorganisation costs and pension credit	**41.9**	(16.0)
Tax impact of reorganisation costs and pension credit	**(8.4)**	3.7
Headline profit for the year attributable to the equity shareholders of the parent company	**55.4**	58.0
Weighted average number of shares	**439,389,535**	439,490,280
Dilutive effect of share options	**882,725**	1,318,417
Diluted weighted average number of shares	**440,272,260**	440,808,697

	Pence	Pence
Basic earnings per share	**5.0**	16.0
Diluted earnings per share	**5.0**	15.9
Headline basic earnings per share	**12.6**	13.2
Headline diluted earnings per share	**12.6**	13.2

There were no further share options (2015: nil) outstanding as at 31 March 2016 that were anti-dilutive.

12 Intangible assets

Goodwill and other intangibles

Goodwill arising on all acquisitions prior to 31 March 1998 has been written off against reserves. Goodwill arising on acquisitions after 1 April 1998 has been capitalised and, under UK GAAP, was amortised on a straight-line basis over its estimated useful life, with a maximum of 20 years.

The Group has made the elective exemption under IFRS 1 that allows goodwill in respect of acquisitions made prior to 1 April 2004 to remain as stated under UK GAAP. The balance of goodwill as at 1 April 2004 is deemed to be the cost going forward. Goodwill is not amortised under IFRS. Instead the carrying value is reviewed annually for impairment.

Other intangible assets are stated at cost less accumulated amortisation. The cost of acquired intangible assets are their purchase cost together with any incidental costs of acquisition. Amortisation is calculated to write off the cost of the asset on a straight-line basis at the following annual rates:

Trademarks	5%
Computer software costs	10% – 50%

Amortisation is disclosed in distribution and marketing expenses in the income statement. The residual value, if significant, is reassessed annually. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Impairment

The carrying amounts of the Group's goodwill are reviewed annually to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount is calculated as the higher of fair value less cost of sale and value in use. The present value of estimated future cash flows is calculated using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

12 Intangible assets continued

Cost	Goodwill £m	Software £m	Other intangibles £m	Total £m
At 1 April 2014	156.8	199.6	0.4	356.8
Additions	–	27.0	0.1	27.1
Disposals	–	(6.4)	–	(6.4)
Reclassification	–	0.5	–	0.5
Translation differences	19.7	(0.2)	(0.1)	19.4
At 1 April 2015	**176.5**	**220.5**	**0.4**	**397.4**
Additions		**21.3**	**–**	**21.3**
Disposals/ write-off	**–**	**(22.4)**	**–**	**(22.4)**
Reclassification	**–**	**–**	**–**	**–**
Translation differences	**5.5**	**1.8**	**–**	**7.3**
At 31 March 2016	**182.0**	**221.2**	**0.4**	**403.6**
Amortisation				
At 1 April 2014	–	136.7	0.3	137.0
Charged in the year	–	19.6	0.1	19.7
Disposals	–	(6.1)	–	(6.1)
Translation differences	–	(1.2)	(0.1)	(1.3)
At 1 April 2015	**–**	**149.0**	**0.3**	**149.3**
Charged in the year	**–**	**18.8**	**–**	**18.8**
Disposals	**–**	**(7.3)**	**–**	**(7.3)**
Translation differences	**–**	**1.4**	**0.1**	**1.5**
At 31 March 2016	**–**	**161.9**	**0.4**	**162.3**
Net book value				
At 31 March 2016	**182.0**	**59.3**	**–**	**241.3**
At 31 March 2015	176.5	71.5	0.1	248.1
At 31 March 2014	156.8	62.9	0.1	219.8

Of total goodwill of £182.0 million (2015: £176.5 million), £181.5 million (2015: £176.0 million) related to the acquisition of Allied Electronics Inc. in July 1999, and £0.5 million (2015: £0.5 million) related to the acquisition of the Group's Norwegian distributor in September 2001.

The value of internally generated intangible asset additions in the year was £10.4 million (2015: £9.6 million).

Value in use calculations

The recoverable amount of goodwill is based on value in use calculations.

These calculations use discounted cash flow projections based on actual operating results together with management projections for three years. These cash flows are based on extrapolations from earlier budgets and forecasts. These are subject to assessing the reasonableness of the assumptions; for example by examining the causes of differences between past cash flow projections and actual cash flows.

Cash flows for further periods, i.e. beyond three years, are extrapolated using a long-term annual growth rate of 1.9% (2015: 2.0%) which is consistent with the prudent 'market estimate' long-term average growth rate for the distribution industry.

A pre-tax discount rate of 12.3% (2015: 12.7%) has been applied in calculating the discounted projected cash flows.

12 Intangible assets continued

Key assumptions

The key assumptions used are the sales growth rate and discount rate.

The sales growth rate is prepared using internal forecasts based upon historical growth rates and future medium term plans together with relevant macro economic indicators. The long-term growth rates used are consistent with the prudent 'market estimate' long-term average growth rates for the industry and do not exceed expected long term GDP growth.

The discount rate is based upon the Group's Weighted Average Cost of Capital (WACC) as at 31 March 2016 and has been calculated reflecting market assessments at that time.

The Directors believe that currently all 'reasonably likely' changes in the key assumptions referred to above would not give rise to an impairment charge.

Outcome of calculations

The recoverable amount of the Allied Electronics Inc. cash generating unit exceeds its carrying value and the carrying value of the goodwill is therefore not impaired.

13 Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation. The cost of self constructed assets includes the cost of materials, direct labour and certain direct overheads.

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Each finance leased asset is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation.

No depreciation has been charged on freehold land. Other assets have been depreciated to residual value, on a straight-line basis at the following annual rates:

Freehold and leasehold buildings	2%
Plant and machinery	10% – 20%
Computer equipment	20% – 33%
Other office equipment	20%

Depreciation is disclosed in distribution and marketing expenses in the income statement. The residual value, if significant, is reassessed annually.

13 Property, plant and equipment continued

Government grants

Government grants related to expenditure on property, plant and equipment are credited to the income statement at the same rate as the depreciation on the asset to which the grants relate. The unamortised balance of capital grants is included within trade and other payables.

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2014	110.4	137.9	72.4	320.7
Additions	1.7	4.2	2.8	8.7
Disposals	–	(0.3)	(5.2)	(5.5)
Reclassification	1.2	(1.2)	(0.5)	(0.5)
Translation differences	(2.3)	(1.5)	(0.3)	(4.1)
At 1 April 2015	**111.0**	**139.1**	**69.2**	**319.3**
Additions	**0.3**	**3.9**	**2.4**	**6.6**
Disposals	**(1.4)**	**(2.0)**	**(1.9)**	**(5.3)**
Reclassification	**(3.0)**	**(0.9)**	**0.9**	**(3.0)**
Translation differences	**3.9**	**2.3**	**0.8**	**7.0**
At 31 March 2016	**110.8**	**142.4**	**71.4**	**324.6**
Depreciation				
At 1 April 2014	38.3	114.2	63.6	216.1
Charged in the year	2.5	4.5	3.8	10.8
Disposals	–	(0.3)	(5.2)	(5.5)
Reclassification	0.8	(0.9)	0.1	–
Translation differences	(1.0)	(1.5)	(0.4)	(2.9)
At 1 April 2015	**40.6**	**116.0**	**61.9**	**218.5**
Charged in the year	**2.3**	**5.2**	**3.3**	**10.8**
Disposals	**(1.3)**	**(1.8)**	**(1.7)**	**(4.8)**
Reclassification	**–**	**–**	**–**	**–**
Translation differences	**1.4**	**1.9**	**0.8**	**4.1**
At 31 March 2016	**43.0**	**121.3**	**64.3**	**228.6**
Net book value				
At 31 March 2016	**67.8**	**21.1**	**7.1**	**96.0**
At 31 March 2015	70.4	23.1	7.3	100.8
At 31 March 2014	72.1	23.7	8.8	104.6

Net book value of land and buildings

	2016 £m	2015 £m
Freehold land	**12.1**	11.7
Freehold buildings	**55.0**	54.9
Long leasehold buildings	**0.6**	0.6
Short leasehold buildings	**3.1**	3.2
	70.8	70.4

Non-current assets held for sale

£5.1 million is shown as non-current assets held for sale on the balance sheet. £3.0 million is for the net book value of land and buildings and a further £2.1 million is for debtors due in more than one year. The amount relates to the warehouse and associated land in Singapore. The sale is due to complete during the year ending 31 March 2017.

Notes to the Group Accounts continued

13 Property, plant and equipment continued

Net book value of plant and machinery

	2016 £m	2015 £m
Plant and machinery	20.5	22.3
Other office equipment	0.5	0.7
Motor vehicles	0.1	0.1
	21.1	23.1

All classes of tangible assets are depreciated except for freehold land.

14 Capital commitments

	2016 £m	2015 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	–	–

15 Investments

Investments in jointly controlled entities

The Group accounts include the Group's share of the total recognised gains and losses in one jointly controlled entity on an equity accounted basis.

	2016 £m	2015 £m
Jointly controlled entity	0.7	0.6

For details of the jointly controlled entity, see note 16 to the Group accounts.

16 Subsidiary undertakings and associated undertakings

Name of undertaking	Class of share held	Principal location	Country of incorporation
High service distribution of electronics and maintenance products			
RS Components Pty Limited*	Ordinary	Sydney	Australia
RS Components Handelsges.m.b.H.*	Share of equity	Gmünd	Austria
Allied Electronics (Canada) Inc.*	Common	Ottawa	Canada
RS Componentes Electrónicos Limitada*	Ordinary	Santiago	Chile
RS Components A/S*	Ordinary	Copenhagen	Denmark
RS Composants SAS*	Ordinary	Beauvais	France
RS Components GmbH*	Ordinary	Frankfurt	Germany
RS Components Limited*	Ordinary	Kowloon	Hong Kong
RS Components & Controls (India) Limited†	Ordinary	New Delhi	India
RS Components SpA*	Ordinary	Milan	Italy
RS Components KK*	Ordinary	Yokohama	Japan
RS Components Sdn Bhd*	Ordinary	Kuala Lumpur	Malaysia
RS Components BV*	Ordinary	Haarlem	Netherlands
RS Components Limited*	Ordinary	Auckland	New Zealand
RS Components AS*	Ordinary	Haugesund	Norway
RS Components (Shanghai) Company Limited*	Common and preference	Shanghai	People's Republic of China
RS Components Corporation*	Ordinary	Manilla	Philippines
RS Components Sp. Z.o.o.*	Ordinary	Warsaw	Poland
Radionics Limited*	Ordinary	Dublin	Republic of Ireland

16 Subsidiary undertakings and associated undertakings continued

Name of undertaking	Class of share held	Principal location	Country of incorporation
High service distribution of electronics and maintenance products			
RS Components Pte Limited*	Ordinary	Singapore	Singapore
RS Components (Proprietary) Limited	Ordinary	Midrand	South Africa
Amidata SAu*	Ordinary	Madrid	Spain
RS Components AB*	Ordinary	Vällingby	Sweden
RS Components Company Limited*	Ordinary	Bangkok	Thailand
RS Components Limited	Ordinary	Corby	UK
Allied Electronics Inc.*	Common	Fort Worth, TX	United States of America
Holding, Financing and Management Companies			
Electrocomponents France SARL*	Ordinary	Beauvais	France
Bodenfeld GmbH	Ordinary	Frankfurt	Germany
Electrocomponents Ltd	Ordinary	Kowloon	Hong Kong
Electrocomponents Jersey Finance Unlimited	Common	St. Helier	Jersey
Electrocomponents Overseas Limited	Ordinary	Oxford	UK
Electrocomponents US Finance Limited	Ordinary	Oxford	UK
Electrocomponents UK Limited	Ordinary	Oxford	UK
RS Components Holdings Limited*	Ordinary	Oxford	UK
Electrocomponents North America LLC	Ordinary	Oxford, UK	United States of America
Electrocomponents (US) Inc	Ordinary	Delaware	United States of America
Electrocomponents Inc	Ordinary	Delaware	United States of America
Electrocomponents North America Inc.*	Ordinary	Delaware	United States of America
Electrocomponents US LLC*	Common	Delaware	United States of America
Not currently trading			
RS Components Distribuicao de Produtos Eletronicas e de Manutencao Ltda	Ordinary		Brazil
Electrospeed Limited*	Ordinary		Republic of Ireland
Electro Lighting Group Ltd	Ordinary		UK
Electro-leasing Ltd	Ordinary		UK
RS Components International Ltd	Ordinary		UK
RS Limited	Ordinary		UK
RS Supplies Ltd	Ordinary		UK
ECI – NJ Inc*	Ordinary		United States of America
Electrocomponents Distribution Inc*	Ordinary		United States of America

* Except as stated below, all of the above are wholly owned by Electrocomponents plc. Those companies marked with an asterisk are indirectly owned. The companies operate within their countries of incorporation. RS Components Limited (UK), Electrocomponents Limited (Hong Kong), RS Components BV (Belgium) and RS Components GmbH (Germany) export to most countries where the Group does not have a trading company and operate branch offices in South Africa, Belgium, Switzerland, Taiwan and the Philippines. RS Components Limited also operates under the names of RS Calibration, RS Mechanical and RS Health & Safety in the UK.

The information given above is in respect of such undertakings as are referred to in s410(2) of the Companies Act 2006.

† RS Components & Controls (India) Limited (RSCC) is a jointly controlled entity with Controls & Switchgear Company Limited, a company registered in India. The authorised share capital of this company is INR20 million, of which INR18 million is issued and owned in equal shares by Electrocomponents UK Limited and its partner. RS Components Limited supplies products to RSCC, while office space and distribution network are provided by Controls & Switchgear. During the year ended 31 March 2016 the Group made sales of £1.0 million (2015: £0.8 million) to RSCC. RSCC is accounted for using the equity accounting method.

Notes to the Group Accounts continued

17 Inventories

Inventories are valued at the lower of cost and net realisable value. This cost is calculated on a weighted average basis. Work in progress and goods for resale include attributable overheads. The Group estimates the net realisable value of inventory in order to determine the value of any provision required and key judgements relate to the duration of product lifecycles, amount of anticipated sales over this lifecycle and the value recoverable from any excess stock.

	2016 £m	2015 £m
Raw materials and consumables	**45.7**	48.6
Finished goods and goods for resale	**251.9**	259.9
Gross inventories	**297.6**	308.5
Stock provisions	**(28.2)**	(23.4)
Net inventories	**269.4**	285.1

During the year £10.4 million (2015: £8.3 million) was recognised as an expense relating to the write down of inventory to net realisable value.

18 Trade and other receivables

Trade and other receivables are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest rate method.

	2016 £m	2015 £m
Gross trade receivables	**218.2**	201.3
Provision for doubtful debts	**(5.3)**	(4.4)
Amounts owed by jointly controlled entity	**0.4**	0.4
Derivative assets (see note 21)	**0.4**	3.0
Other receivables	**0.1**	0.2
Prepayments and accrued income	**18.1**	18.2
Trade and other receivables falling due within one year	**231.9**	218.7
Other receivables falling due after more than one year	**2.1**	3.7

19 Trade and other payables

	2016 £m	2015 £m
Trade payables	**121.4**	135.0
Other taxation and social security	**12.3**	4.6
Derivative liabilities (see note 21)	**5.0**	0.5
Government grants	**0.1**	0.1
Accruals and deferred income	**63.1**	64.1
Trade and other payables due within one year	**201.9**	204.3
Other payables	**4.4**	4.6
Government grants	**3.3**	3.3
Other payables due in more than one year	**7.7**	7.9

20 Interest bearing loans and borrowings

	2016 £m	As restated* 2015 £m	As restated* 2014 £m
Non-current liabilities:			
Unsecured bank facilities	53.7	66.6	37.1
Unsecured Private Placement loan notes	130.9	61.3	94.3
	184.6	127.9	131.4
Current liabilities:			
Unsecured bank overdrafts	26.2	33.5	52.8
Unsecured Private Placement loan notes	–	44.0	–
Finance lease liabilities	–	–	0.7
	26.2	77.5	53.5
Borrowings are repayable as follows:			
Amounts falling due on demand or in less than one year	26.2	77.5	53.5
In more than one but not more than two years	58.1	–	76.4
In more than two but not more than three years	–	61.3	–
In more than three but not more than four years	53.7	–	55.0
In more than four but not more than five years	72.8	66.6	–
	210.8	205.4	184.9

Borrowings are analysed by currency as:	Unsecured bank overdrafts 2016 £m	Unsecured bank facilities 2016 £m	Finance lease liabilities 2016 £m	Unsecured Private Placement loan notes 2016 £m	Total 2016 £m
Sterling	0.1	51.5	–	–	51.6
US Dollar	–	–	–	130.9	130.9
Euro	10.6	–	–	–	10.6
Hong Kong Dollar	7.1	–	–	–	7.1
Singapore Dollar	8.2	–	–	–	8.2
Other	0.2	2.2	–	–	2.4
Total borrowings	26.2	53.7	–	130.9	210.8

	Unsecured bank overdrafts As restated* 2015 £m	Unsecured bank facilities 2015 £m	Finance lease liabilities 2015 £m	Unsecured Private Placement loan notes 2015 £m	Total 2015 £m
Sterling	3.6	29.0	–	–	32.6
US Dollar	0.9	27.0	–	105.3	133.2
Euro	2.4	–	–	–	2.4
Hong Kong Dollar	6.1	–	–	–	6.1
Singapore Dollar	9.2	–	–	–	9.2
Japanese Yen	3.3	–	–	–	3.3
Australian Dollar	5.0	–	–	–	5.0
Other	3.0	10.6	–	–	13.6
Total borrowings	33.5	66.6	–	105.3	205.4

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

20 Interest bearing loans and borrowings continued

	Unsecured bank overdrafts As restated* 2014 £m	Unsecured bank facilities 2014 £m	Finance lease liabilities 2014 £m	Unsecured Private Placement loan notes 2014 £m	Total 2014 £m
Sterling	8.2	10.0	0.7	–	18.9
US Dollar	–	23.9	–	94.3	118.2
Euro	7.9	–	–	–	7.9
Hong Kong Dollar	18.2	–	–	–	18.2
Singapore Dollar	15.3	–	–	–	15.3
Japanese Yen	1.6	–	–	–	1.6
Australian Dollar	0.1	–	–	–	0.1
Other	1.5	3.2	–	–	4.7
Total borrowings	52.8	37.1	0.7	94.3	184.9

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

21 Financial instruments

Financial instruments

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates over fixed terms of between three and six months of the majority of its operating companies. In addition there are also a number of interest rate swaps which swap certain fixed rate loans into floating rate.

In accordance with its treasury policies, the Group does not hold or issue derivative financial instruments for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Hedges are classified as follows:

- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.
- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.
- Net investment hedges when they hedge the exposure to changes in the value of the Group's interests in the net assets of foreign operations.

All the Group's derivatives are initially and in subsequent periods recognised in the balance sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in the income statement as they arise.

21 Financial instruments continued

Cash flow hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the income statement. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability. When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into the income statement in the same period during which the asset acquired or liability assumed affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

Fair value hedge accounting

The Group uses derivative financial instruments to hedge exposure to interest rate and exchange rate risks arising from financing activities, holding a small number of interest rate and cross currency swaps which swap certain fixed rate loans into floating rate or into fixed rate loans in the relevant currency.

The fair value of the swaps is the market value of the swap at the balance sheet date, taking into account current interest rates. The market value of changes in fair values of derivatives designated as fair value hedges and changes in fair value of the related hedged item are recognised directly in the income statement.

All debts not accounted for under fair value hedge accounting are held at amortised cost.

Fair value loss of £2.4 million (2015: £10.0 million gain) on interest rate swaps designated as a fair value hedge has been recognised within financial expense/income. In addition, fair value adjustment gain of £2.5 million (2015: £10.0 million loss) on Private Placement loan notes designated as a fair value hedge has been recognised within financial income/expense.

Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

Fair values of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows.

$30 million of the Private Placement loan notes subject to a fair value hedge, and therefore accounted for at fair value, have been reclassified during the year. No other financial assets or liabilities have been reclassified during the year.

Notes to the Group Accounts continued

21 Financial instruments continued

	Notes	Valuation Methodology	Carrying value £m	Fair value £m
Financial assets				
Financial assets held at Fair Value				
Interest rate swaps used for hedging		A	11.2	11.2
Forward exchange contracts used for cash flow hedging	**18**	A	0.4	0.4
			11.6	11.6
Financial assets held at Amortised Cost				
Cash and cash equivalents	**26**	D	34.5	34.5
Trade receivables, other receivables and accrued income	**18**	F	216.0	216.0
			250.5	250.5
Total Financial assets at 31 March 2016			**262.1**	**262.1**
Financial liabilities				
Financial liabilities held at Fair Value				
Forward exchange contracts used for hedging	**19**	A	(5.0)	(5.0)
Private Placement loan notes subject to fair value hedge	**20**	C	(75.1)	(77.4)
			(80.1)	(82.4)
Financial liabilities held at Amortised Cost				
Bank facilities	**20**	D	(53.7)	(53.7)
Private Placement loan notes	**20**	D	(55.8)	(59.8)
Bank overdrafts	**20**	D	(26.2)	(26.2)
Trade payables, other payables and accruals	**19**	F	(198.3)	(198.3)
			(334.0)	(338.0)
Total Financial liabilities at 31 March 2016			**(414.1)**	**(420.4)**

21 Financial instruments continued

	Notes	Valuation Methodology	Carrying value £m	Fair value £m
Financial assets				
Financial assets held at Fair Value				
Interest rate swaps used for hedging		A	13.8	13.8
Forward exchange contracts used for hedging	18	A	3.0	3.0
			16.8	16.8
Financial assets held at Amortised Cost				
Cash and cash equivalents	26	D	39.0	39.0
Trade receivables, other receivables and accrued income	18	F	205.0	205.0
			244.0	244.0
Total Financial assets at 31 March 2015 as restated*			**260.8**	**260.8**
Financial liabilities				
Financial liabilities held at Fair Value				
Interest rate swaps used for hedging		A	(0.1)	(0.1)
Forward exchange contracts used for hedging	19	A	(0.5)	(0.5)
Private Placement loan notes subject to fair value hedge	20	C	(71.5)	(71.5)
			(72.1)	(72.1)
Financial liabilities held at Amortised Cost				
Bank facilities	20	D	(66.6)	(66.6)
Private Placement loan notes	20	D	(33.8)	(34.2)
Bank overdrafts	20	D	(33.5)	(33.5)
Trade payables, other payables and accruals	19	F	(220.4)	(220.4)
			(354.3)	(354.7)
Total Financial liabilities at 31 March 2015 as restated*			**(426.4)**	**(426.8)**
Financial assets				
Financial assets held at Fair Value				
Interest rate swaps used for hedging		A	3.7	3.7
Forward exchange contracts used for hedging	18	A	1.9	1.9
			5.6	5.6
Financial assets held at Amortised Cost				
Cash and cash equivalents	26	D	37.7	37.7
Trade receivables, other receivables and accrued income	18	F	213.5	213.5
			251.2	251.2
Total Financial assets at 31 March 2014 as restated*			**256.8**	**256.8**
Financial liabilities				
Financial liabilities held at Fair Value				
Interest rate swaps used for hedging		A	(0.1)	(0.1)
Forward exchange contracts used for hedging	19	A	(0.5)	(0.5)
Private Placement loan notes subject to fair value hedge	20	C	(64.4)	(64.4)
			(65.0)	(65.0)

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

Notes to the Group accounts continued

21 Financial instruments continued

	Notes	Valuation Methodology	Carrying value £m	Fair value £m
Financial liabilities held at Amortised Cost				
Bank facilities	20	D	(37.1)	(37.1)
Private Placement loan notes	20	D	(29.9)	(31.7)
Finance lease liabilities	20	E	(0.7)	(0.7)
Bank overdrafts	20	D	(52.8)	(52.8)
Trade payables, other payables and accruals	19	F	(202.2)	(202.2)
			(322.7)	(324.5)
Total Financial liabilities at 31 March 2014 as restated*			**(387.7)**	**(389.5)**

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

Estimation of fair values

The fair values reflected in the table above have been determined by reference to available market information at the balance sheet date and using the methodologies described below.

A Derivative financial assets and liabilities

Fair values are estimated by discounting expected future contractual cash flows using prevailing interest rate curves and valuing any amounts denominated in foreign currencies at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices. (Level 2 as defined by IFRS7 Financial Instruments: Disclosures).

B Interest-bearing loans held at fair value

Fair values are estimated by discounting expected future contractual cash flows using prevailing interest rate curves and valuing any amounts denominated in foreign currencies at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices. (Level 2 as defined by IFRS7 Financial Instruments: Disclosures).

C Loans designated under fair value hedge relationships

Fair values are estimated by discounting expected future contractual cash flows using prevailing interest rate curves and valuing any amounts denominated in foreign currencies at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices. (Level 2 as defined by IFRS7 Financial Instruments: Disclosures).

D Cash and cash equivalents, bank overdrafts, Interest-bearing loans held at amortised cost

Cash and cash equivalents largely comprise local bank account balances, which typically bear interest at rates set by reference to local applicable rates or cash float balances which have not yet cleared for interest purposes. Fair values are estimated to equate to carrying amounts as their re-pricing maturity is less than one year.

Interest bearing loans held at amortised cost comprise fixed rate sterling and foreign currency denominated loans. For carrying values the foreign currency principal amounts have been valued at the exchange rate prevailing at the balance sheet date. Fair values are estimated by discounting future cash flows using prevailing interest rate curves.

Bank overdrafts are repayable on demand and are all unsecured. They bear interest at rates set by reference to applicable local rates. Fair values are estimated to equate to carrying amounts as their re-pricing maturity is less than one year.

E Finance lease liabilities

Fair values are estimated by discounting future cash flows using prevailing interest rate curves.

21 Financial instruments continued

F Other financial assets and liabilities

Fair values of receivables and payables are determined by discounting future cash flows. For amounts with a repricing maturity of less than one year, fair value is assumed to approximate to the carrying amount.

Cash pooling

The Group operates legal arrangements whereby cash balances and overdrafts held with the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. These cash and bank overdraft figures before netting are shown in the tables below:

	Gross amounts before offsetting	Gross amounts set off	Net amounts presented
31 March 2016			
Cash at bank and in hand	**351.3**	**(317.0)**	**34.3**
Bank overdrafts	**(343.0)**	**317.0**	**(26.0)**
Total	**8.3**	**–**	**8.3**
31 March 2015 as restated*			
Cash at bank and in hand	310.1	(277.9)	32.2
Bank overdrafts	(311.0)	277.9	(33.1)
Total	(0.9)	–	(0.9)
31 March 2014 as restated			
Cash at bank and in hand	213.1	(175.7)	37.4
Bank overdrafts	(228.3)	175.7	(52.6)
Total	(15.2)	–	(15.2)

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

Risk management objectives and policies

The principal financial risks to which the Group is exposed are those of liquidity, market and credit. Each of these are managed in accordance with Board approved policies. The policies are set out below.

Liquidity risk

The Group's key priority is to ensure that it can meet its liabilities as they fall due. The Group ensures this by having sufficient committed debt facilities in place to meet its anticipated funding requirements. The Group's forecast funding requirements and its committed debt facilities are reported to and monitored by the Treasury Committee monthly.

As at 31 March 2016 the Group had the following committed debt finance in place:

- Private Placement loan notes of $185 million with maturities of June 2017 ($85 million) and June 2020 ($100 million).
- A syndicated multicurrency facility for $75 million, £85 million and €50 million with a maturity of August 2019;

As at 31 March 2016, the Group had available £123.1 million of undrawn committed debt facilities in respect of which all conditions precedent had been met.

The Group also uses bank overdrafts, uncommitted short term money market loans, cash and short term investments. The main purpose of these financial instruments is to manage the Group's day to day funding and liquidity requirements.

Notes to the Group Accounts continued

21 Financial instruments continued

The following are the contractual maturities of financial liabilities, including contractual future interest payments.

Maturity profile of financial liabilities

	Carrying Amounts £m	Contractual Cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m
Derivative financial liabilities							
Inflows for forward exchange contracts	**66.3**	**66.3**	**66.3**	**–**	**–**	**–**	**–**
Outflows for forward exchange contracts	**(71.3)**	**(71.3)**	**(71.3)**	**–**	**–**	**–**	**–**
Forward exchange contracts used for hedging	**(5.0)**	**(5.0)**	**(5.0)**	**–**	**–**	**–**	**–**
Non-derivative financial liabilities							
Bank facilities	**(53.7)**	**(56.4)**	**(0.8)**	**(0.8)**	**(0.8)**	**(54.0)**	**–**
Private Placement loan notes	**(130.9)**	**(142.8)**	**(5.1)**	**(62.8)**	**(2.1)**	**(2.1)**	**(70.7)**
Bank overdrafts	**(26.2)**	**(26.2)**	**(26.2)**	**–**	**–**	**–**	**–**
Trade payables, other payables and accruals	**(198.3)**	**(198.3)**	**(195.6)**	**(2.7)**	**–**	**–**	**–**
At 31 March 2016	**(414.1)**	**(428.7)**	**(232.7)**	**(66.3)**	**(2.9)**	**(56.1)**	**(70.7)**

	Carrying Amounts £m	Contractual Cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m
Derivative financial liabilities							
Inflows for forward exchange contracts	24.8	24.8	24.8	–	–	–	–
Outflows for forward exchange contracts	(25.3)	(25.3)	(25.3)	–	–	–	–
Forward exchange contracts used for hedging	(0.5)	(0.5)	(0.5)	–	–	–	–
Interest rate swaps used for hedging	(0.1)	(0.4)	(0.2)	(0.2)	–	–	–
Non-derivative financial liabilities							
Private Placement loan notes	(66.6)	(70.0)	(0.8)	(0.8)	(0.8)	(0.8)	(66.8)
Finance lease liabilities	(105.3)	(109.6)	(47.8)	(2.9)	(58.9)	–	–
Bank overdrafts	(33.5)	(33.5)	(33.5)	–	–	–	–
Trade payables, other payables and accruals	(220.4)	(220.4)	(215.8)	(4.6)	–	–	–
At 31 March 2015 as restated*	(426.4)	(434.4)	(298.6)	(8.5)	(59.7)	(0.8)	(66.8)

	Carrying Amounts £m	Contractual Cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m
Derivative financial liabilities							
Inflows for forward exchange contracts	53.8	53.8	53.8	–	–	–	–
Outflows for forward exchange contracts	(54.3)	(54.3)	(54.3)	–	–	–	–
Forward exchange contracts used for hedging	(0.5)	(0.5)	(0.5)	–	–	–	–
Interest rate swaps used for hedging	(0.1)	(0.4)	(0.2)	(0.2)	–	–	–
Non-derivative financial liabilities							
Bank facilities	(37.1)	(37.1)	(0.6)	(36.5)	–	–	–
Private Placement loan notes	(94.3)	(101.6)	(4.3)	(42.4)	(2.6)	(52.3)	–
Finance lease liabilities	(0.7)	(0.7)	(0.7)	–	–	–	–
Bank overdrafts	(52.8)	(52.8)	(52.8)	–	–	–	–
Trade payables, other payables and accruals	(202.2)	(202.2)	(202.2)	–	–	–	–
At 31 March 2014	(387.7)	(395.3)	(261.3)	(79.1)	(2.6)	(52.3)	–

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

21 Financial instruments continued

Market risk

Foreign currency transactional risk

The Group has foreign currency transactional risk resulting from trade payables, and receivables in various currencies, and debt in USD. The Group is exposed to foreign currency transaction risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency.

Hedging of currency exposures during periods when operating companies cannot easily change their selling prices is implemented in order to 'shelter' the forecast gross profits during those periods. In this way the impacts of currency fluctuations can be smoothed until selling prices can be changed in the light of movements in exchange rates. The hedges are enacted through forward foreign currency contracts entered into by Group Treasury based on trading projections provided by the operating companies. The Group's largest exposures relate to Euros and US Dollars. As at 31 March 2016, net forecasted exposures in Euros and US Dollars for the first six months (Euros) and first three months (US Dollars) of the year ending 31 March 2017 were 100% hedged.

In addition specific cash flows relating to material transactions in currencies other than the functional currency of the local business are hedged when the commitment is made.

The Group classifies forward exchange contracts as hedging instruments against forecast receivables/payables and designates them as cashflow hedges for accounting purposes. The forecast cashflows are expected to occur evenly throughout the period for 12 months from the year end, and will affect the income statement in the period in which they occur. The net fair value of forward exchange contracts not used as hedges of forecast transactions at 31 March 2016 was £0.2 million (2015 : £nil). These contracts at 31 March 2016 have been used to hedge inter company loans.

Foreign currency transaction exposures, and the hedges in place to mitigate them, are monitored monthly by the Treasury Committee. The Group does not believe its foreign currency transactional risk has materially altered during the year.

In June 2010 the Group issued $85 million of Private Placement fixed interest loan notes, with maturities in June 2017. As at 31 March 2016 using cross currency interest rate swaps (both contracted and bifurcated), this debt was swapped into Sterling at a floating interest rate.

In June 2015 the Group issued a further $100 million of Private Placement fixed interest loan notes, maturing in June 2020. Using cross currency interest rate swaps, $20 million of this debt was swapped, at a floating interest rate. $105 million of the Private Placement loan notes, and associated swaps have been designated as fair value hedges, and are expected to remain highly effective over the life of the Private Placement loan notes.

Foreign currency translational risk

The Group has foreign currency translational risk resulting from investment in US and European subsidiaries.

The Group has designated $80 million of the Private Placement loan notes, overdrafts of $30 million, and cross currency € interest rate swaps as hedging instruments within net investment hedges against its investments in its US and European subsidiaries. The carrying value of these $ and € hedges remained highly effective, throughout the year ended 31 March 2016.

A foreign exchange loss of £2.8 million (2015: loss of £5.0 million) was recognised in equity on translation of the loans to sterling in the year ended 31 March 2016. No other foreign currency translation exposures are explicitly hedged although local currency debt is used where economic and fiscally efficient in the financing of subsidiaries and this provides a degree of natural hedging. Guidelines are in place to manage the currency mix of the Group's net debt. The Group does not believe its foreign currency translational risk has materially altered during the year.

Notes to the Group Accounts continued

21 Financial instruments continued

Interest rate risk

The Group has relatively high interest cover and therefore the Group adopts a policy of paying and receiving most of its interest on a variable interest rate basis, as in the opinion of the Group this minimises interest cost over time. This policy is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group does not believe its interest rate risk has materially altered during the year.

As at 31 March 2016 the Group had:

- Left $80 million of its Private Placement loan notes fixed until June 2020 and swapped $20 million to sterling at a fixed interest rate.
- Swapped $85 million of its Private Placement loan notes from $ fixed to £ floating ($45 million) and € floating ($40 million) using interest rate swaps. These are designated as fair value hedges and net investment hedges.

All other borrowings were at a variable rate.

Interest rate profile

The interest rate profile of the Group's interest bearing financial instruments, as at 31 March 2016, 31 March 2015 and 31 March 2014 are set out below. The classification includes the impact, but not the balance of the interest rate swaps. The 2014 and 2015 figures have been re-presented, consistent with this basis.

	2016			As restated* 2015			As restated* 2014		
	Fixed rate	**Floating rate**	**Total**	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Financial liabilities									
Interest bearing loans and borrowings									
Current	**–**	**(26.2)**	**(26.2)**	(33.8)	(43.7)	(77.5)	(0.7)	(52.8)	(53.5)
Non-current	**(69.1)**	**(115.5)**	**(184.6)**	(66.6)	(61.3)	(127.9)	(53.9)	(77.5)	(131.4)
At 31 March	**(69.1)**	**(141.7)**	**(210.8)**	(100.4)	(105.0)	(205.4)	(54.6)	(130.3)	(184.9)
Financial assets									
Cash and cash equivalents	**–**	**34.5**	**34.5**	–	39.0	39.0	–	37.7	37.7
At 31 March	**–**	**34.5**	**34.5**	–	39.0	39.0	–	37.7	37.7

Cash flow hedges	£m
Fair value of hedging instruments under cash flow hedges as at 31 March 2014:	
Assets	1.9
Liabilities	(0.6)
Net	1.3
In the year ended 31 March 2015:	
Amount removed from equity and taken to Income Statement in operating profit	(1.3)
Fair value of cash flow hedges taken to equity	2.4
Fair value of hedging instruments under cash flow hedges as at 31 March 2015:	
Assets	3.0
Liabilities	(0.6)
Net	2.4

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

21 Financial instruments continued

In the year ended 31 March 2016:	
Amount removed from equity and taken to Income Statement in operating profit	(1.8)
Fair value of cash flow hedges taken to equity	(4.6)

Fair value of hedging instruments under cash flow hedges as at 31 March 2016:	
Assets	0.4
Liabilities	(5.0)
Net	(4.6)

Maturity profile of financial derivatives

	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m
Interest rate and cross currency swaps hedging Private Placement loan notes:					
Assets	–	10.7	–	–	0.5
Other interest rate swaps:					
Liabilities	–	–	–	–	–
Forward exchange contracts:					
Assets	0.4	–	–	–	–
Liabilities	(5.0)	–	–	–	–
At 31 March 2016	(4.6)	10.7	–	–	0.5

	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m
Interest rate and cross currency swaps hedging Private Placement loan notes:					
Assets	1.0	–	12.8	–	–
Other interest rate swaps:					
Liabilities	–	(0.1)	–	–	–
Forward exchange contracts:					
Assets	3.0	–	–	–	–
Liabilities	(0.6)	–	–	–	–
At 31 March 2015	3.4	(0.1)	12.8	–	–

Notes to the Group Accounts continued

21 Financial instruments continued

Sensitivity analysis

The sensitivity analysis set out below summarises the impact on:

- Interest expense of a 1% increase/decrease in interest rates on all currencies from their actual levels for the year ended 31 March 2016 and the year ended 31 March 2015 and;
- Group profit before tax of a 1c increase/decrease in the value of the US dollar and the euro against sterling from the actual level for the year ended 31 March 2016 and the year ended 31 March 2015.

The sensitivity analysis is based on the following:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair market value;
- Changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments and;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end.

Year ended 31 March 2016	1% Increase in Interest Rates £m	1% Decrease in Interest Rates £m	1c Increase in value of US$ & € £m	1c Decrease in value of US$ & € £m
Impact on Income Statement: (loss)/gain	(1.0)	1.0	0.8	(0.8)
Impact on equity: gain (loss)	–	–	1.2	(1.2)

Year ended 31 March 2015	1% Increase in Interest Rates £m	1% Decrease in Interest Rates £m	1c Increase in value of US$ & € £m	1c Decrease c value of US$ & € £m
Impact on Income Statement: (loss)/gain	(1.0)	1.0	0.8	(0.8)
Impact on equity: gain (loss)	–	–	1.4	(1.4)

Credit risk

The Group is exposed to credit risk on financial assets such as cash balances (including deposits and cash and cash equivalents) and derivative instruments and on trade and other receivables.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties, customers and geographic locations. As such the Group does not believe its credit risk has materially altered during the year.

The Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings, and that these limits are not exceeded.

21 Financial instruments continued

Trade and other receivables

All operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. Trade receivables are stated net of allowances for doubtful receivables, estimated by local management based on prior experience of customers and assessment of their current economic environment. There are no significant individual allowances for doubtful receivables included within this amount.

For countries with no local operating company presence export credit limits are set and monitored on a country basis monthly by the Treasury Committee.

Given the profile of our customers, whereby credit risk is spread amongst a large number of customers with small balances, no further material credit risk has been identified with the trade receivables not past due other than those balances for which an allowance has been made.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2016 £m	2015 £m
Northern Europe	69.5	66.9
Southern Europe	58.4	48.9
Central Europe	23.6	20.8
Europe	151.5	136.6
APAC and Emerging Markets	21.0	21.8
North America	40.4	38.5
	212.9	196.9

The aging of net trade receivables at the reporting date was:

	2016 £m	2015 £m
Not past due	143.4	136.5
Past due 0-60 days	59.1	53.9
Past due 60-120 days	5.2	3.9
Past due >120 days	5.2	2.6
	212.9	196.9

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2016 £m	2015 £m
Balance at 1 April	(4.4)	(5.0)
(Loss) gain recognised	(0.9)	0.6
Balance at 31 March	(5.3)	(4.4)

Capital management

The Board's policy is to always maintain a strong capital base, with an appropriate debt to equity mix, to ensure investor, creditor and market confidence and to support the future development of the business. The Board monitors the return on capital, which the Group defines as operating profit as a percentage of net assets plus net debt, and the level of dividends to ordinary shareholders.

The Group seeks to raise debt from a variety of sources and with a variety of maturities. As at 31 March 2016 the Group had a Revolving Credit Facility of £85 million, $75 million and €50 million with a maturity of August 2019 and $185 million of US Private Placement loan notes, of which $85 million is due in 2017 and $100 million is due in 2020. The Group's debt covenants are EBITA : Interest to be greater than 3:1 and Net Debt: EBITDA to be less than 3.25:1. At the year end the Group comfortably met these covenants.

There were no significant changes in the Group's approach to capital management during the year.

Notes to the Group Accounts continued

22 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Property, plant and equipment	**1.4**	0.2	**(6.8)**	(7.5)	**(5.4)**	(7.3)
Goodwill	**–**	–	**(67.8)**	(65.8)	**(67.8)**	(65.8)
Retirement benefit obligations	**7.3**	11.5	**–**	–	**7.3**	11.5
Inventories	**0.1**	0.1	**(0.5)**	(0.5)	**(0.4)**	(0.4)
Employee benefits	**1.9**	2.6	**–**	–	**1.9**	2.6
Provisions	**1.6**	1.2	**–**	–	**1.6**	1.2
Other items	**1.3**	0.6	**(1.4)**	(1.1)	**(0.1)**	(0.5)
Tax losses	**1.3**	1.7	**–**	–	**1.3**	1.7
Tax assets (liabilities)	**14.9**	17.9	**(76.5)**	(74.9)	**(61.6)**	(57.0)
Set off of tax	**(5.6)**	(6.1)	**5.6**	6.1	**–**	–
Net tax assets (liabilities)	**9.3**	11.8	**(70.9)**	(68.8)	**(61.6)**	(57.0)

The increase in the net deferred tax liability is largely due to the movement in the deficit on the defined benefit pension scheme which impacts the deferred tax relating to retirement benefit obligation. As in the prior year the deferred tax liability relates predominantly to goodwill, and this liability is not expected to crystallise in the foreseeable future.

A deferred tax asset has been recognised for tax losses where current projections show that sufficient taxable profits will arise in the near future against which these losses may be offset.

	2016 £m	2015 £m
Unrecognised deferred tax assets		
Tax losses	**2.5**	3.0

A deferred tax asset has not been recognised in respect of these tax losses which can be carried forward against future taxable income as recoverability is uncertain.

	Balance at 1 April 2015	Recognised in profit and loss	Recognised in other comprehensive income	Exchange gains/losses	Balance at 31 March 2016
Property, plant and equipment	(7.3)	2.2	–	(0.3)	**(5.4)**
Goodwill	(65.8)	0.1	–	(2.1)	**(67.8)**
Retirement benefit obligations	11.5	0.1	(4.6)	0.3	**7.3**
Inventories	(0.4)	–	–	–	**(0.4)**
Employee benefits	2.6	(0.8)	–	0.1	**1.9**
Provisions	1.2	0.3	–	0.1	**1.6**
Other items	(0.5)	1.2	(0.7)	(0.1)	**(0.1)**
Tax losses	1.7	(0.4)	–	–	**1.3**
Net tax assets (liabilities)	(57.0)	2.7	(5.3)	(2.0)	**(61.6)**

23 Lease commitments

Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the course of the lease period. The benefits of rent free periods and similar incentives are credited to the income statement on a straight-line basis over the full lease term.

Operating lease commitments

The Group has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total annual rental for 2016 was £7.9 million (2015: £8.0 million). The lease agreements provide that the Group will pay all insurance, maintenance and repairs. In addition, the Group leases certain properties on short and long term leases. The annual rental on these leases was £8.3 million (2015: £13.3 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties. Operating lease rentals are payable as follows:

	Properties		Plant and machinery	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Within one year	**8.1**	8.4	**6.8**	7.6
Within two to five years	**11.8**	18.0	**17.6**	7.4
After five years	**1.1**	3.7	**2.0**	–
	21.0	30.1	**26.4**	15.0

24 Related parties

The Company has a related party relationship with its subsidiaries as disclosed in note 16 to the Group accounts and with its key management personnel. The key management personnel of the Group are the Directors and the Executive Management Team. Compensation of key management personnel was:

	2016 £m	2015 £m
Remuneration	**4.1**	3.2
Termination payments	**0.6**	0.9
Social security costs	**0.5**	0.6
Equity-settled transactions	**1.7**	0.7
Pension costs	**0.5**	0.6
	7.4	6.0

Details of transactions with the jointly controlled entity are given in note 16 to the Group accounts.

25 Share capital

	2016 Number of shares	2015 Number of shares	**2016 £m**	2015 £m
Ordinary shares of 10p each:				
Called-up and fully paid:				
At 1 April	**439,811,909**	439,586,456	**44.0**	44.0
New share capital subscribed	**1,031,752**	225,453	**0.1**	–
At 31 March	**440,843,661**	439,811,909	**44.1**	44.0

All of the new share capital subscribed in the financial year 2016 related to the exercise of share options (note 7).

Details of the own shares held are given in the Company accounts in the statement of changes in equity on page 127.

26 Cash and cash equivalents

Net debt

Net debt comprises cash and cash equivalents less borrowings. Cash and cash equivalents comprises cash in hand and held with qualifying financial institutions in current accounts or overnight deposits net of overdrafts with qualifying financial institutions. Cash and cash equivalents include investment in money market funds and term deposits with qualifying financial institutions. Borrowings represent term loans from qualifying financial institutions together with financial instruments classified as liabilities.

	2016 £m	*As restated 2015 £m	*As restated 2014 £m
Cash and cash equivalents in the balance sheet	**34.5**	39.0	37.7
Bank overdrafts	**(26.2)**	(33.5)	(52.8)
Cash and cash equivalents in the cash flow statement	**8.3**	5.5	(15.1)
Finance lease liabilities	**–**	–	(0.7)
Bank loans repayable after more than one year	**(53.7)**	(66.6)	(37.1)
Private Placement loan notes	**(130.9)**	(105.3)	(94.3)
Fair value of swap hedging fixed rate borrowings	**11.2**	13.8	3.6
Net debt	**(165.1)**	(152.6)	(143.6)
Net pension deficit	**(43.3)**	(60.4)	(40.9)
Net debt including gross pension deficit	**(208.4)**	(213.0)	(184.5)

The movements on net debt during the year are analysed below:

Analysis of movement in net debt	**2016 £m**	As restated* 2015 £m	As restated* 2014 £m
Net debt at 1 April	**(152.6)**	(143.6)	(159.7)
Free cash flow	**46.6**	49.0	57.7
Equity dividends paid	**(51.6)**	(51.6)	(51.4)
New shares issued	**1.7**	0.4	1.4
Own shares acquired	**(2.3)**	(0.6)	(0.6)
Translation differences	**(6.9)**	(6.2)	9.0
Net debt at 31 March	**(165.1)**	(152.6)	(143.6)

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 on page 88.

27 Contingent liabilities

At 31 March 2016 there were no contingent liabilities (2015: none).

28 Principal exchange rates

	2016 Average	2016 Closing	2015 Average	2015 Closing
United States Dollar	1.51	1.44	1.61	1.48
Euro	1.37	1.26	1.27	1.38

Company Balance Sheet

As at 31 March 2016

	Note	2016 £m	*As restated 2015 £m	*As restated 2014 £m
Fixed assets				
Tangible fixed assets	9	14.8	15.2	15.6
Investments	10	294.9	299.9	294.2
		309.7	315.1	309.8
Current assets				
Debtors: amounts falling due within one year	11	8.6	7.5	6.8
Debtors: amounts falling due after more than one year	11	11.6	14.2	4.2
Cash at bank and in hand		226.2	189.9	104.4
		246.4	211.6	115.4
Creditors: amounts falling due within one year	12	(108.7)	(110.6)	(53.7)
Net current assets		137.7	101.0	61.7
Total assets less current liabilities		447.4	416.1	371.5
Creditors: amounts falling due after more than one year	13	(184.6)	(127.9)	(131.4)
Provisions for liabilities and charges	16	(0.7)	(0.7)	(0.7)
Net assets		262.1	287.5	239.4
Capital and reserves				
Called-up share capital	18	44.1	44.0	44.0
Share premium account		43.5	41.9	41.5
Retained earnings		174.5	201.6	153.9
Total equity		262.1	287.5	239.4

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools (see note 1 of the Group accounts on page 88) and for the gross up of derivative contracts (see note 3 on page 130).

The notes on pages 128 to 140 are an integral part of these financial statements.

The financial statements on pages 126 to 140 were authorised for issue by the Board of Directors on 19 May 2016 and were signed on its behalf.

David Egan
Group Finance Director

Lindsley Ruth
Group Chief Executive

Electrocomponents plc
Company number: 647788

Statement of Changes in Equity

			Retained earnings			
	Share capital account £m	Share premium account £m	Own shares held £m	Hedging reserve £m	Profit and loss account £m	Total £m
At 1 April 2014	44.0	41.5	(0.8)	1.0	153.7	239.4
Profit for the year	–	–	–	–	99.5	99.5
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	99.5	99.5
Dividends paid	–	–	–	–	(51.6)	(51.6)
Equity-settled transactions	–	–	–	–	1.5	1.5
Shares allotted in respect of share awards	–	0.4	0.4		(0.4)	0.4
Own shares acquired	–	–	(0.5)	–	–	(0.5)
Related tax movements	–	–	–	–	(0.2)	(0.2)
Reclassification	–	–	–	(1.0)	–	(1.0)
Total transactions with owners, recognised directly in equity	–	0.4	(0.1)	(1.0)	(50.7)	(51.4)
At 31 March 2015	44.0	41.9	(0.9)	–	202.5	287.5

The own shares held reserve represents the cost of shares in Electrocomponents plc purchased in the market and held by the Electrocomponents Employee Benefit Trust to satisfy options under the Group's share option schemes.

The balance in the hedging reserve relates to group cash flow hedges put in place to manage the exchange rate exposure on intercompany sales and purchases of stock. This was reclassified as the company does not hold any stock on its balance sheet.

			Retained earnings			
	Share capital account £m	**Share premium account £m**	**Own shares held £m**	**Hedging reserve £m**	**Profit and loss account £m**	**Total £m**
At 1 April 2015	**44.0**	**41.9**	**(0.9)**	**–**	**202.5**	**287.5**
Profit for the year	**–**	**–**	**–**	**–**	**24.4**	**24.4**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**24.4**	**24.4**
Dividends paid	**–**	**–**	**–**	**–**	**(51.6)**	**(51.6)**
Equity-settled transactions	**–**	**–**	**–**	**–**	**2.9**	**2.9**
Shares allotted in respect of share awards	**0.1**	**1.6**	**0.2**	**–**	**(0.2)**	**1.7**
Own shares acquired	**–**	**–**	**(2.3)**	**–**	**–**	**(2.3)**
Related tax movements	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Reclassification	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners, recognised directly in equity	**0.1**	**1.6**	**(2.1)**	**–**	**(49.4)**	**(49.8)**
At 31 March 2016	**44.1**	**43.5**	**(3.0)**	**–**	**177.5**	**262.1**

Notes to the Financial Statements

1 General Information

Electrocomponents plc (the Company) is a company domiciled in England.

The Company is a public company and is incorporated and domiciled in England. The address of its registered office is International Management Centre, 8050 Oxford Business Park North, Oxford OX4 2HW.

2 Statement of compliance

The individual financial statements of Electrocomponents plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 20 on page 140.

(a) Basis of preparation

These are the company's separate financial statements and they have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit and loss.

The Group accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are presented on pages 83 to 125.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Exemptions for qualifying entities under FRS 102

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

The Company is a group parent holding company. It is included in the consolidated financial statements of Electrocomponents plc.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

i. from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows:

ii. from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;

iii. in accordance with FRS 102 35.10(b), from disclosing certain share based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and

iv. from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

3 Summary of significant accounting policies continued

(b) Going concern

The Company meets its day-to-day working capital requirements through its bank facilities as detailed in note 21 to the Group accounts. The current economic conditions continue to create uncertainty over the level of demand for the Company's products for the foreseeable future. The Company's detailed forecasts and projections for the next three years, taking account of reasonable possible changes in trading performance, together with its strong balance sheet show that the Company should be able to continue to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Translation of foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the Profit and Loss Account.

(d) Basic financial instruments

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

3 Summary of significant accounting policies continued

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

(e) Derivative financial instruments and hedging activities

The Company has elected to adopt the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure provisions of FRS 102 in respect of financial instruments.

The Company uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates. In addition there are also interest rate swaps which swap certain fixed rate loans into a floating rate.

In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Company's risk management policies. Hedges are classified as follows:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.

All the Group's derivatives are initially and in subsequent periods recognised in the Balance Sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in profit or loss in finance costs or income as appropriate.

Following a review of the cash pooling accounting policy, the Company has decided to change its presentation of derivative contracts to show the gross balances.

3 Summary of significant accounting policies continued

Cash flow hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability.

When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into the profit and loss in the same period during which the asset acquired or liability assumed affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

Fair value hedge accounting

The Company uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities, holding interest rate swaps which swap certain fixed rate loans into floating rate.

The fair value of the interest rate swaps is the market value of the swap at the balance sheet date, taking into account current interest rates.

(f) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds. 28.10(a), 28.13

3 Summary of significant accounting policies continued

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments (discount rate).

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a. the increase in pension benefit liability arising from employee service during the period; and

b. the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss 'Finance expense'.

(g) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes.

(h) Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

(i) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives as follows:

Freehold buildings	2%
Plant and machinery	10% – 20%
Computer equipment	20% – 33%

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

4 Critical accounting judgements and estimation uncertainty

The preparation of accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made in the accounts for the year ended 31 March 2016 were in relation to the following:

Pensions

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, which are listed in detail in note 8. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

5 Profit for the financial year

The profit dealt with in the accounts of the Company is £24.4 million (2015: £99.5 million). A separate profit and loss account has not been presented in respect of the Company, as provided by Section 408 of the Companies Act 2006.

Disclosure of the audit fees payable to PricewaterhouseCoopers LLP for the audit of Electrocomponents plc's financial statements is made in note 4 of the Group accounts.

6 Employees

Numbers employed

	2016	2015
The average number of employees during the year was:		
Management and administration	53	49

Aggregate employment costs

	£m	£m
Wages and salaries	4.1	4.7
Social security costs	0.6	0.6
Share based payments	0.8	0.2
Pension costs	0.7	0.9
	6.2	6.4

The remuneration of individual Directors is detailed on pages 50 to 73.

7 Share based payments

Share-based payments

The Company operates a number of share-based incentive plans for employees. These comprise a Deferred Share Bonus Plan (DSBP) awarded to the Group's most senior executives, a Long Term Incentive Plan (LTIP) awarding shares to senior managers and a Save As You Earn (SAYE) scheme which is made available to all eligible employees.

The Company recognises an equity-settled share-based payment expense based on a reasonable allocation of the total charge for the group. The majority of employees in the UK schemes are employees of RS Components Limited and 23% of the total charge for the group for each UK scheme has been allocated to the Company as a result.

The total charge included in the Profit and Loss Account in the year was £0.7 million (2015: £0.2 million). Of the total charge, £0.7 million (2015: £0.2 million) related to equity-settled share schemes and £nil (2015: £nil) related to cash-settled share schemes. All profit and loss account charges relating to options held by members of other Group companies are charged to the appropriate Group company.

Deferred Share Bonus Plan

Under the DSBP, awards of shares are made to plan participants to the value of 50% of their cash bonus. The award vests after two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. A cash payment equivalent to the dividends that would have accrued on the shares will be made to the participants on vesting.

7 Share based payments continued

Long Term Incentive Plan

Under the Group's LTIP, conditional awards of shares are made to the plan participants. At the vesting date the share award will either vest, in full or in part, or lapse. The awards include a right to receive dividend equivalents on vesting. The terms and conditions of the LTIP are such that the vesting conditions are based on both the performance of the Group versus the FTSE 250 and growth in Earnings per Share over the life of the scheme.

The fair value of the LTIP was calculated at the grant date using the Monte Carlo model. This model is internationally recognised as being appropriate to value employee share schemes similar to the LTIP.

Save As You Earn Scheme

The SAYE schemes are available to the majority of employees of the Group. The option price is based on the average market price of Electrocomponents plc's shares over the three days prior to the offer, discounted by 20%. The option exercise conditions are the employees' continued employment for a three or five year period and the maintenance of the employees' regular monthly savings. Failure of either of these conditions is normally deemed a forfeiture of the option. At the end of the period the employee has six months to either purchase the shares at the agreed price, or withdraw their savings with the accrued interest. There are no market conditions to the vesting of the options.

The fair value of the SAYE scheme was calculated at the grant date using the Black-Scholes model. This model is internationally recognised as being appropriate to value employee share schemes similar to the SAYE scheme.

8 Post-employment benefits

Defined benefit scheme

The UK defined benefit scheme is described in note 8 of the Group accounts. The last actuarial valuation of the UK scheme was carried out as at 31 March 2013 and has been updated to 31 March 2016 by a qualified independent actuary. The balance on the UK scheme is included within the balance sheet of RS Components Ltd, a subsidiary of Electrocomponents plc, as it is this Company which employs the majority of the scheme members. The balance has not been split between Electrocomponents plc and RS Components Ltd, as it is not possible to do so on a consistent and reasonable basis. This disclosure therefore relates to the UK pension scheme rather than just the Electrocomponents plc portion of it.

The scheme is managed by a corporate trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

On 1 April 2003, the defined benefit pension scheme was closed to new entrants. At the same time, the Company established a defined contribution scheme to provide benefits to new employees.

There are no significant differences that have been identified as between IAS 19 (revised 2011) (IFRS) and FRS 102 (UK GAAP).

	2016 **%**	2015 %
Discount rate	**3.60%**	3.30%
Expected rate of salary increases	**Nil**	Nil
Rate of RPI inflation	**2.90%**	2.90%
Rate of CPI inflation	**2.10%**	2.10%
Expected rate of increase of pensions in payment:		
RPI inflation capped at 5% p.a.	**2.85%**	2.85%
RPI inflation capped at 5% p.a.	**2.10%**	2.10%

8 Post-employment benefits continued

The mortality assumptions used were as follows:	2016 years	2015 years
Longevity at age 65 for current pensioners:		
Men	**22.5**	22.4
Women	**24.2**	24.1
Longevity at age 65 for future pensioners:		
Men	**23.9**	23.8
Women	**26.4**	26.3

Reconciliation of scheme assets and liabilities:	Assets £m	Liabilities £m	Total £m
At 1 April 2015	448.6	(495.8)	(47.2)
Benefits paid	(13.0)	13.0	–
Employer contributions	8.0	–	8.0
Current service cost	(0.6)	(4.5)	(5.1)
Interest income (expense)	14.7	(16.1)	(1.4)
Insurance premium for risk benefits	(0.1)	0.1	–
Remeasurement gains (losses):			
Actuarial losses	–	34.9	34.9
Return on plan assets excluding interest income	(19.6)	–	(19.6)
At 31 March 2016	**438.0**	**(468.4)**	**(30.4)**

Total cost recognised as an expense:	2016 £m	2015 £m
Current service cost	**5.1**	4.4
Past service cost	**–**	–
Interest cost	**1.4**	1.5
	6.5	5.9

No amounts (2015: nil) were included in the cost of assets.

The fair value of the plan assets was:	2016 £m	2015 £m
Equity instruments	**78.3**	108.2
Bonds	**96.4**	66.0
Investment funds	**262.8**	273.2
Cash	**0.5**	1.2
	438.0	448.6

8 Post-employment benefits continued

Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, the Company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2016 £m	2015 £m
Current period contributions	0.6	0.7

9 Tangible assets

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2015	21.5	9.2	0.5	31.2
Additions	–	–	–	–
At 31 March 2016	**21.5**	**9.2**	**0.5**	**31.2**
Depreciation				
At 1 April 2015	6.3	9.2	0.5	16.0
Charged in the year	0.4	–	–	0.4
At 31 March 2016	**6.7**	**9.2**	**0.5**	**16.4**
Net book value				
At 31 March 2016	**14.8**	**–**	**–**	**14.8**
At 31 March 2015	15.2	–	–	15.2

Net book value of land and buildings	2016 £m	2015 £m
Freehold land	4.6	4.6
Freehold buildings	10.2	10.6
	14.8	15.2

10 Fixed asset investments

Investments in subsidiary undertakings

Investments in subsidiary undertakings including long-term loans are included in the Balance Sheet of the Company at the lower of cost and the expected recoverable amount. Any impairment is recognised in the Profit and Loss Account.

Cost	Shares £m	Loans £m	Total £m
At 1 April 2015	190.5	124.8	315.3
Additions	2.2	–	2.2
Reclassification	–	(5.4)	(5.4)
Revaluation	–	(1.4)	(1.4)
At 31 March 2016	**192.7**	**118.0**	**310.7**
Provisions			
At 1 April 2015	–	15.4	15.4
Impairment charge	0.4	–	0.4
At 31 March 2016	**0.4**	**15.4**	**15.8**
Net book value			
At 31 March 2016	**192.3**	**102.6**	**294.9**
At 31 March 2015	190.5	109.4	299.9

A list of subsidiary undertakings held by the Company is disclosed in note 16 to the Group accounts.

The cost of share-based incentives in respect of shares in the Company granted to employees of Group companies other than Electrocomponents plc, is treated as an increase in investments with the corresponding credit taken directly to reserves.

In 2016, this amounted to £2.1 million (2015: £1.3 million)

11 Debtors

	2016 £m	As restated* 2015 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**6.6**	2.8
Derivative asset	**0.4**	3.0
Prepayments and accrued income	**1.6**	1.7
	8.6	7.5
Amounts falling due after more than one year:		
Derivative asset	**11.2**	13.8
Deferred tax asset (see note 16)	**0.4**	0.4
	11.6	14.2

Amounts owed by subsidiary undertakings are unsecured, interest free, have no fixed date or repayment and are repayable on demand.

The Company has entered into an interest rate swap to receive interest at LIBOR and pay interest at a fixed rate. Details of this hedging arrangement are provided in note 21 of the Group accounts.

*Restated for the gross up of derivative contracts.

Notes to the Financial Statements continued

12 Creditors : amounts falling due within one year

	2016 £m	As restated* 2015 £m	As restated* 2014 £m
Amounts owed to subsidiary undertakings	**100.9**	62.2	49.5
Derivative liability	**5.0**	0.5	–
Accruals and deferred income	**2.6**	3.9	4.2
Loans falling due within one year	**–**	44.0	–
Income tax liabilities	**0.2**	–	–
	108.7	110.6	53.7

*Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools (see note 1 of the Group accounts on page 88) and for the gross up of derivative contracts. Amounts owed to subsidiary undertakings are unsecured, interest free, have no fixed date or repayment and are repayable on demand.

13 Creditors : amounts falling due after more than one year

	2016 £m	2015 £m
Amounts falling due between one and five years:		
Loans repayable after more than one year	**184.6**	127.9
	184.6	127.9

14 Loans and other borrowings

	2016 £m	2015 £m
Sterling bank loans	**51.5**	29.0
South African rand bank loans	**2.2**	2.8
Hong Kong dollar bank loans	**–**	7.8
US dollar bank loans	**–**	27.0
US dollar Private Placement loan notes	**130.9**	105.3
	184.6	171.9
Amounts falling due within one year or on demand	**–**	44.0
Loans repayable in more than one but not more than two years	**39.5**	–
Loans repayable in more than two but not more than five years	**145.1**	127.9
	184.6	171.9

The bank loans are at variable rates of interest, are unsecured and are held at amortised cost.

Details of the US dollar Private Placement loan notes are provided in note 21 of the Group accounts.

15 Lease commitments

Operating lease rentals are charged to the Profit and Loss Account on a straight-line basis over the course of the lease period. The benefits of rent free periods and similar incentives are credited to the Profit and Loss Account on a straight-line basis over the lease period.

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due:	**2016 £m**	2015 £m
Within one year	**0.4**	0.3
Within two to five years	**–**	0.4
	0.4	0.7

The Company has no other off-balance sheet arrangements.

16 Provisions for other liabilities

		Deferred taxation £m
At 1 April 2015	0.3	0.2
Profit and loss account	(0.1)	(0.1)
Recognised in reserves	0.1	0.2
At 31 March 2016	**0.3**	**0.3**

The provision for deferred tax consists of the following deferred tax liabilities (assets)

Deferred taxation	**Deferred taxation £m**
Amounts provided:	
Accelerated capital allowances	**0.7**
Share schemes	**(0.4)**
	0.3

Deferred taxation	**2016 £m**	2015 £m
Disclosed as:		
Deferred tax asset (note 11)	**(0.4)**	(0.4)
Deferred tax liability	**0.7**	0.7
	0.3	0.3

There are no unused tax losses or unused tax credits.

17 Contingent liabilities

Guarantees exist in respect of bank facilities available to certain subsidiaries, up to a maximum of £44.7 million (2015: £24.7 million), of which £1.8 million (2015: £0.8 million) had been drawn down by the end of the year.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Financial Statements continued

18 Share capital

	2016 Number of shares	2015 Number of shares	2016 £m	2015 £m
Ordinary shares of 10p each				
Called up and fully paid:				
At 1 April	**439,811,909**	439,586,456	**44.0**	44.0
New share capital subscribed	**1,031,752**	225,453	**0.1**	–
At 31 March	**440,843,661**	439,811,909	**44.1**	44.0

All of the new share capital subscribed in 2016 related to the exercise of share options.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

19 Dividends

	2016 £m	2015 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2015 – 6.75p (2014: 6.75p)	**29.7**	29.6
Interim dividend for the year ended 31 March 2016 – 5.0p (2015: 5.0p)	**21.9**	22.0
	51.6	51.6
Proposed dividend for the year ended 31 March 2016 – 6.75p	**29.8**	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 20 July 2016 and has not been included as a liability in these accounts.

20 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. No changes were required to either profit for the financial year ended 31 March 2015 or total equity as at 1 April 2014 and 31 March 2015 as a result of transitioning from UK GAAP to FRS 102.

Five-year Record

	2016 £m	As restated* 2015 £m	As restated* 2014 £m	As restated* 2013 £m	2012 £m
Revenue	**1,291.1**	1,266.2	1,273.1	1,235.6	1,267.4
Operating profit	**40.1**	101.2	106.1	92.3	128.1
Pension changes/reorganisation costs (income)	**41.9**	(16.0)	–	7.4	–
Headline operating profit	**82.0**	85.2	106.1	99.7	128.1
Net financial expense	**(5.2)**	(5.1)	(5.0)	(5.6)	(5.8)
Profit before tax	**34.9**	96.1	101.1	86.7	122.3
Reorganisation costs and pension changes	**41.9**	(16.0)	–	7.4	–
Headline profit before tax	**76.8**	80.1	101.1	94.1	122.3
Tax	**(13.0)**	(25.8)	(29.6)	(27.3)	(37.4)
Profit for the year attributable to the equity shareholders	**21.9**	70.3	71.5	59.4	84.9
Basic earnings per share	**5.0p**	16.0p	16.3p	13.6p	19.5p
Free cash flow	**46.6**	49.0	57.7	49.3	52.7
Non-current assets	**365.7**	378.8	342.7	361.5	349.1
Current assets	**536.6**	545.0	519.6	498.2	501.9
Current liabilities	**(240.0)**	(290.4)	(254.4)	(221.4)	(225.0)
Non-current liabilities	**(306.5)**	(265.1)	(243.6)	(258.7)	(260.0)
Net assets	**355.8**	368.3	364.3	379.6	366.0
Number of shares in issue:					
Weighted average (excluding own shares held)	**439.3**	439.5	439.1	437.8	436.1
Year end	**440.8**	439.8	439.6	438.1	437.0
Dividend per share (pence)	**11.75**	11.75	11.75	11.75	11.75
Average number of employees	**6,024**	6,245	6,212	6,307	6,340
Share price at 31 March (pence)	**241.4**	241.5	283.0	251.0	247.8

*2015 and 2014 restated for the change in accounting policy relating to the grossing up of multi-currency cash pools. See note 1 of the Group accounts on page 88. 2013 restated for the changes in IAS 19R Employee Benefits.

Registered Office, Shareholder Information, Advisers and Financial Calendar

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SHAREHOLDER SERVICES

Registrar

If you have any questions about your shareholding in the Company, please contact our Registrar: Equiniti Ltd, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom. Telephone 0371 384 2158 (+44 121 415 7047 from outside the UK). Lines are open between 8.30am and 5.30pm Monday to Friday excluding UK bank holidays.

Shareview

To access online information about your shareholdings visit www.shareview.co.uk. The website also provides information useful to the management of investments together with an extensive schedule of frequently asked questions. In order to view your shareholdings the shareholder reference number is required which can be found at the top of the share certificate or on the last dividend tax voucher.

Dividend Reinvestment Plan (DRIP)

Should you wish to reinvest your dividends in the Company, you can take advantage of our DRIP. It will allow you to use your cash dividend to buy more Electrocomponents shares in the market. You will need to complete a DRIP application form and return it to Equiniti. This can be found, together with plan terms and conditions, at www.shareview.co.uk or in the Investor Centre section of our website under FAQs. Alternatively, please contact Equiniti on the number given above, and details and a form will be sent to you.

Share price information

The latest information on Electrocomponents plc share price is available on our website.

Investor relations app

The Company offers an app providing instant online and offline access, free of charge, to the Company's latest financial and corporate information on the Apple iPad and iPhone. Details are available in the Investor Centre section of our website.

SHARE FRAUD WARNING

Fraudsters use persuasive and high pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

5,000 people contact the Financial Conduct Authority (FCA) about share fraud each year, with victims losing an average of £20,000.

How to avoid share fraud

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation. Note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.
- **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

FINANCIAL CALENDAR

Announcement of results

The results of the Group are normally published at the following times:

- Half-year results for the six months to 30 September in mid-November.
- Preliminary announcement for the year to 31 March in late May.
- Annual Report and Accounts for the year to 31 March in mid-June.

Dividend payments

Our current policy is to make dividend payments at the following times:

- Interim dividend in January
- Final dividend in July

2016 final dividend timetable:

- Ex-dividend date: 16 June
- Record date: 17 June
- Annual General Meeting: 20 July
- Dividend paid: 26 July

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Investment banker

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Registrar and transfer office

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Locations

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