RS

ALLIED ELECTRONICS

DESIGNSPARK

RS PRO

Electrocomponents plc

Annual Report and Accounts
for the year ended 31 March 2017

www.electrocomponents.com
Stock Code: ECM

Who we are

Electrocomponents is a global high-service distributor supporting our customers with a broad range of industrial and electronic products and services that are essential for the successful operation of their businesses.

Significant market opportunity

- Our global marketplace is large (estimated at £380 billion) and growing.
- It remains extremely fragmented and our market shares remain low.
- Our leadership in digital, improvements in customer service and investments in innovative solutions mean we are well positioned to take market share.
- We are focussed on operational efficiency, improving our headline operating profit conversion ratio.
- We aim to maximise cash flow, which can be reinvested to drive faster top line growth both organically and via acquisitions and to pay dividends to our shareholders.

A global reach

	NORTHERN EUROPE	SOUTHERN EUROPE	CENTRAL EUROPE	NORTH AMERICA	ASIA PACIFIC
Revenue	£413m	£302m	£207m	£393m	£197m
% of 2017 revenue	27% of 2017 revenue	20% of 2017 revenue	14% of 2017 revenue	26% of 2017 revenue	13% of 2017 revenue
Underlying growth	4.6%	4.2%	2.2%	7.3%	4.2%

Underlying revenues are adjusted for currency and trading days – for definitions of alternative performance measures, refer to Note 2 to the Consolidated Financial Statements (page 88).

Product categories

- Automation and Control (A&C)
- Tools and Consumables (T&C)
- Test and Measurement (T&M)
- Interconnect, Passives and Electromechanical (IP&E)
- Semiconductors
- Single Board Computers (SBC)

Serviced through our trusted brands

RS: The leading high-service distributor for engineers across Europe and Asia Pacific.

Allied Electronics: High-service distributor for engineers and buyers in the Americas.

DesignSpark: Our online design community and resource centre for 500,000+ engineers.

RS Pro: Our own-brand range of 40,000+ high-quality, competitively priced products and components.

Our progress in 2017

Revenue	Underlying revenue growth
£1,511.7m Growth 17.1% 2016: £1,291.1m	4.8% 2016: 2.8%

Reported profit before tax	Headline profit before tax
£127.1m Growth 264.2% 2016: £34.9m	£128.0m Underlying growth 35.7% 2016: £76.8m

Reported earnings per share	Headline earnings per share
20.9p Growth 318.0% 2016: 5.0p	21.0p Underlying growth 35.5% 2016: 12.6p

Dividend per share	Headline free cash flow
12.3p Growth 4.7% 2016: 11.75p	£117.7m Underlying growth 75.9% 2016: £62.6m

Underlying measures are adjusted for currency; revenue also adjusted for trading days. Headline measures exclude reorganisation costs. For definitions of alternative performance measures, refer to Note 2 to the Consolidated Financial Statements (page 88).

Operational

- Underlying revenue (adjusted for trading days and currency movements) grew by 4.8%.
- Reported profit before tax was up 264.2% to £127.1 million with year-on-year growth aided by the reduction in reorganisation costs to £0.9 million (2016: £41.9 million).
- Headline profit before tax (pre-reorganisation costs) rose 35.7% on an underlying basis, a 66.7% increase on reported basis to £128.0 million. Headline EPS rose 35.5% on an underlying basis, up 66.7% on a reported basis to 21.0p.
- Headline free cash flow (before financing activities and net reorganisation cash outflow of £5.1 million) was up 88.0% to £117.7 million.

Contents

Chairman's Introduction

PETER JOHNSON CHAIRMAN

"We have taken a major step forward in 2017 with a significant improvement in earnings and cash flow supporting an increase in the full-year dividend."

Over the past year we have begun to make encouraging progress. We have taken major steps forward to improve the experience of our customers and suppliers, stabilise our gross margin and increase efficiency. These steps supported an acceleration in revenue growth, a year-on-year improvement in gross margin and £18 million of net cost savings, which together led to 264% growth in reported profit before tax (or 161% growth at constant exchange rates). We have achieved a much improved experience for our customers, demonstrated by a 6.3% year-on-year improvement in our Net Promoter Score (NPS), a measure of customer satisfaction, which will help sustain this improved financial performance.

We continue to drive greater cost discipline within our organisation and to simplify the way we operate. We delivered net cumulative annualised savings of £25 million during 2016 and 2017, and have committed to deliver £30 million annualised net savings in total by March 2018. However, there is still much to be done so we remain focussed on driving further efficiencies in the way we operate. While cost is still a focus, we are also investing in driving long-term growth and increasing innovation within our business. In the past year, we accelerated improvements in our website, reinvigorated RS Pro, our own-brand business, and launched a new mobile-optimised website. We have also invested in re-engaging with our customers, suppliers and communities and ensuring our brands and products are front of mind.

One example of this was the launch of our new mobile innovation experience for our customers, 'RS Live' pictured on the front cover of this year's Annual Report. The 35-tonne truck has toured around Northern and Central Europe showcasing RS's innovative products first hand in an interactive environment across the design, build and maintain phases of the product life cycle to inspire and inform engineers of today and tomorrow. RS Live has received more than 5,000 visitors over the last year, including customers, suppliers and students. It has also visited three trade shows, including 'electronica' which is the largest electronics trade fair in Europe.

Finally, we continue to invest in creating the strongest management team in our industry, with key hires in the past year including new Presidents of RS and Allied, a new President of Product and Supplier Management and new leaders for IT and Innovation. I am excited about the calibre of the new talent we are attracting to our organisation and am confident we have the leadership team in place to drive significant future growth in the business.

These are the initial benefits of the changes Lindsley Ruth has introduced since being appointed CEO in April 2015. There is much more to come. The coming year will see even more focus on how we can drive innovation into our offer faster and simplify our market approach further, so that we can deliver the improved performance that we remain committed to delivering for suppliers, customers, employees and shareholders.

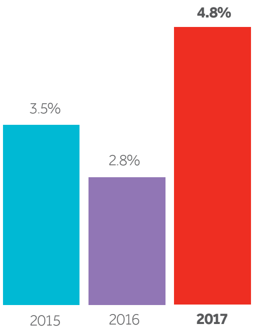
Trading performance

Underlying revenue (adjusted for trading days and currency movements) grew by 4.8%, with growth improving from 2.1% in H1 to 7.5% in H2, driven by stronger sales performance in all regions but particularly North America and Asia Pacific. It was pleasing to see all our five regional hubs back in revenue growth for the full year.

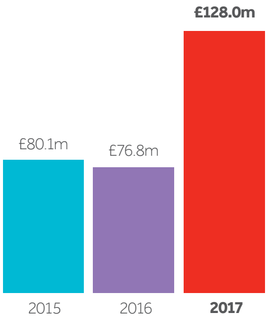
2017 full-year revenue and profit have seen a significant benefit from currency movements and additional trading days. Revenue has benefitted by around £141 million from currency movements and around £10 million from extra trading days versus 2016. In 2018 we will see some of this benefit reverse, as we will see an adverse impact from fewer trading days (see full details on page 21).

Headline profit before tax has benefitted by around £18 million from currency movements. On an underlying basis, headline profit before tax (which is stated pre-reorganisation costs) grew by 35.7% with the improvement being driven by higher sales, a 0.8 percentage point underlying improvement in gross margin and tight cost control. Reported profit before tax was up 161% on an underlying basis, more than headline profit before tax aided by the reduction in reorganisation costs from £41.9 million in 2016 to just £0.9 million in 2017. Headline earnings per share rose 35.5% on an underlying basis. Reported earnings per share was up 190% on an underlying basis and 318% as reported at 20.9p.

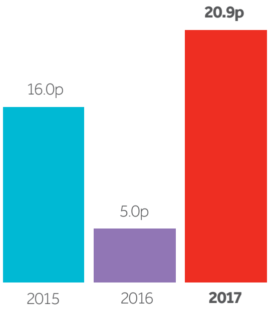
Underlying revenue growth



Headline profit before tax



Reported earnings per share



Headline free cash flow

For definitions of all alternative performance measures, refer to Note 2 to the Consolidated Financial Statements (page 88).

Cash flow in the year increased significantly. Headline free cash flow (that is before financing activities and net reorganisation cash outflows of £5.1 million) was £117.7 million (2016: £62.6 million) with the improvement resulting from higher profits, tight working capital management and lower capital expenditure. As a result of strong cash flow, net debt balances reduced to £112.9 million (2016: £165.1 million). However, our combined pension deficit increased during the year to £104.6 million (2016: £43.3 million), due mainly to a decrease in discount rates leading to a rise in the UK pension deficit.

Dividend

The Board understands the continuing importance of the dividend to shareholders. The Board proposes to increase the final dividend to 7.3p per share. This will be paid on 26 July 2017 to shareholders on the register on 16 June 2017. As a result, the total proposed dividend for the 2017 financial year will be 12.3p per share, representing an increase of 4.7% over the 2016 full-year dividend, resulting in headline earnings dividend cover of 1.7 times. The increase in the dividend reflects the Board's confidence in the future prospects of the Group and the Group's strengthened balance sheet. The Board intends to pursue a progressive dividend policy whilst remaining committed to further improving dividend cover over time by driving improved results and stronger cash flow.

Board and Governance

Two long-serving Board members have recently come to the end of their nine-year terms. As reported last year, Rupert Soames stepped down as a Non-Executive Director at the AGM in July 2016 and, as required by corporate governance best practice, Paul Hollingworth will step down as a Non-Executive Director at this year's AGM. As well as an extremely effective Board member, Paul has been an outstanding Chairman of the Audit Committee for nine years. We will miss his experience, wisdom and good humour.

We have been fortunate to replace Rupert and Paul with two strong and well-qualified Non-Executive Directors, Simon Pryce and Louisa Burdett. I am extremely pleased by these appointments, which bring a breadth of current experience that will be invaluable to the Group as it continues its transformation. John Pattullo, who joined the Board in 2013, has stepped up to the role of Senior Independent Director and Louisa will take over as the Chair of the Audit Committee in July.

Corporate responsibility

As a member of the FTSE4Good Index, corporate responsibility is integral to our business. Our greatest focus remains 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 corporate responsibility can be found on pages 28 to 33

Employees

We, as a Board, have been delighted by the enthusiasm with which our employees are responding to the increased pace of change within the Group and the new culture of accountability. Many of them have told me how good it is to feel proud again of the company they work for. This year's strong results are a testament to their commitment to this challenge and I would like to thank them all for their hard work.

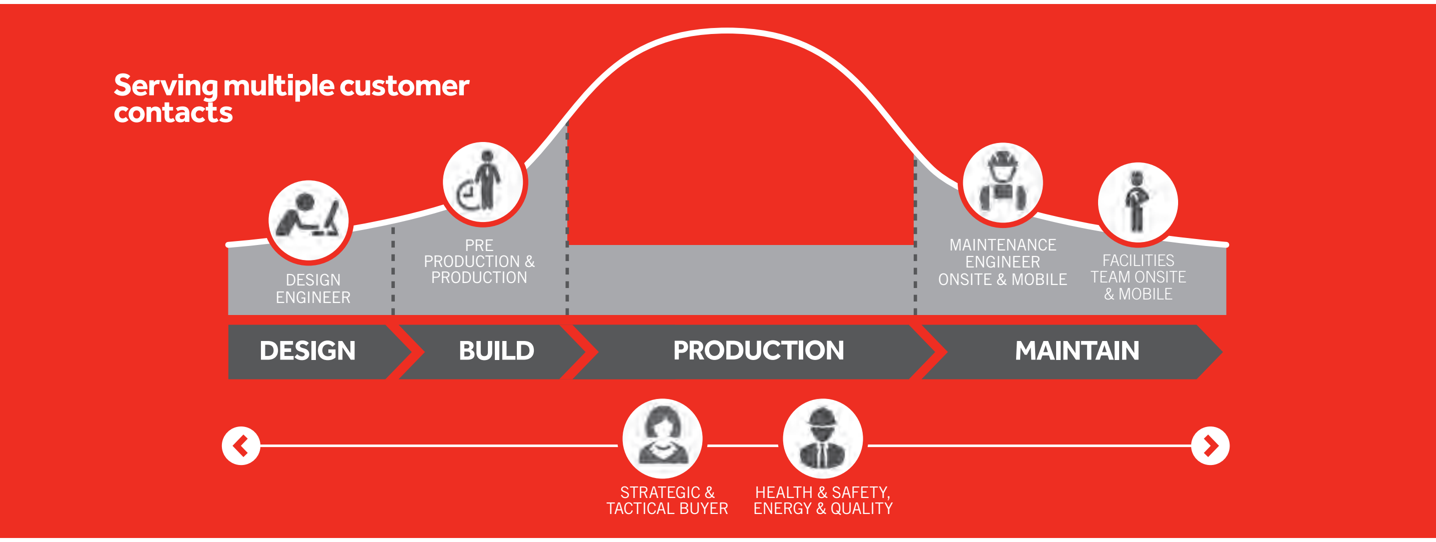
Peter Johnson
Chairman
23 May 2017

Our Marketplace

Marketplace overview

Our business supports customers across industry worldwide from manufacturing to business services to utilities and infrastructure. The marketplace is highly fragmented with only a few international distributors and numerous regional and local providers. Electrocomponents occupies an attractive space given its global footprint, broad product range and its ability to deliver end-to-end solutions across the design, build and maintain asset life cycle.

Unrivalled scope across product life cycle



Industries we serve	Industry segments	*Circa* % of revenue
MANUFACTURING	PROCESS MANUFACTURING ELECTRONICS ORIGINAL EQUIPMENT MANUFACTURERS (OEMS) AND GENERAL MANUFACTURING	15% 18% 17%
SERVICE INDUSTRIES	PUBLIC SECTOR BUSINESS AND OTHER SERVICES RETAIL, LOGISTICS AND WHOLESALE	4% 18% 15%
INFRASTRUCTURE	UTILITIES, TRANSPORTATION AND COMMUNICATIONS MINING AND CONSTRUCTION	10% 3%

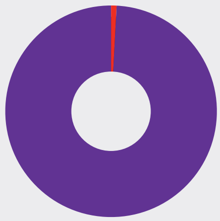
Market trends

- We are seeing increasing signs of consolidation in our marketplace. Our market is large (we estimate our potential available market is £380 billion) but it remains extremely fragmented.
- A growing proportion of market revenues are moving online and online customers are demanding a Business to Consumer (B2C) type digital experience.
- Large customers are seeking to consolidate their supplier base and are hungry for more data and insight.
- Industry 4.0, the current trend of automation and data exchange in manufacturing technologies, is accelerating the connectivity of smart factories and smart buildings and, as a result, the electronics and industrial markets are being forced together.

THE OPPORTUNITY FOR ELECTROCOMPONENTS

Market fragmentation

We are seeing increased evidence of consolidation in our marketplace. Our global footprint, strong customer service, multi-channel approach, and strong technical and sector expertise mean we are well positioned to take share in the marketplace. We aim to grow market share both organically and by acquisition.



Digital transition

We are a leading company in digital, with over 60% of sales generated online. We have invested heavily in digital talent, our website, online design tools and our new mobile platform. We are also increasing our investment in eProcurement and inventory management tools so we can further differentiate the service we offer our customers.

120 Customer-benefitting website improvements

6.3% Improvement in NPS customer satisfaction score

Customers seeking to consolidate suppliers

Our global presence, vast product range and breadth of service make us a perfect partner for customers wishing to consolidate their spend. We are investing in a global accounts programme and value-added services to drive this part of the business.

2:1 Ratio of procurement cost versus product cost
source: Manchester Business School

Industrial Internet of Things (IIoT)

Technology is driving change with Industry 4.0 accelerating the connectivity of smart factories and smart buildings. Our broad product portfolio covers both industrial and electronic products meaning we are well positioned to benefit from growth in the IIoT. We are driving innovation into our business to ensure we can capitalise on this trend.

20.4 billion

Connected things by 2020
source: Gartner

Business Model
What we do

We are a high-service distributor supporting customers across the product life cycle, whether via innovation and technical support at the design phase, improved productivity in the build phase or reducing purchase to pay costs and optimising inventory in the maintenance phase. We offer our customers tailored product and service propositions to help them save time and money.

How we do it

Source

- High-quality products from over 2,500 major suppliers
- Extensive range of industrial and electronic products
- From latest technologies to hard-to-find products

Stock

- 500,000+ stocked products and a much greater non-stocked range
- RS Pro – our competitively priced own-brand range
- High stock availability with transparent information

Ship

- *c.*50,000 parcels shipped daily to over one million customers
- No minimum order size
- Aiming for best-in-class fulfilment via our global network of distribution centres

Value proposition

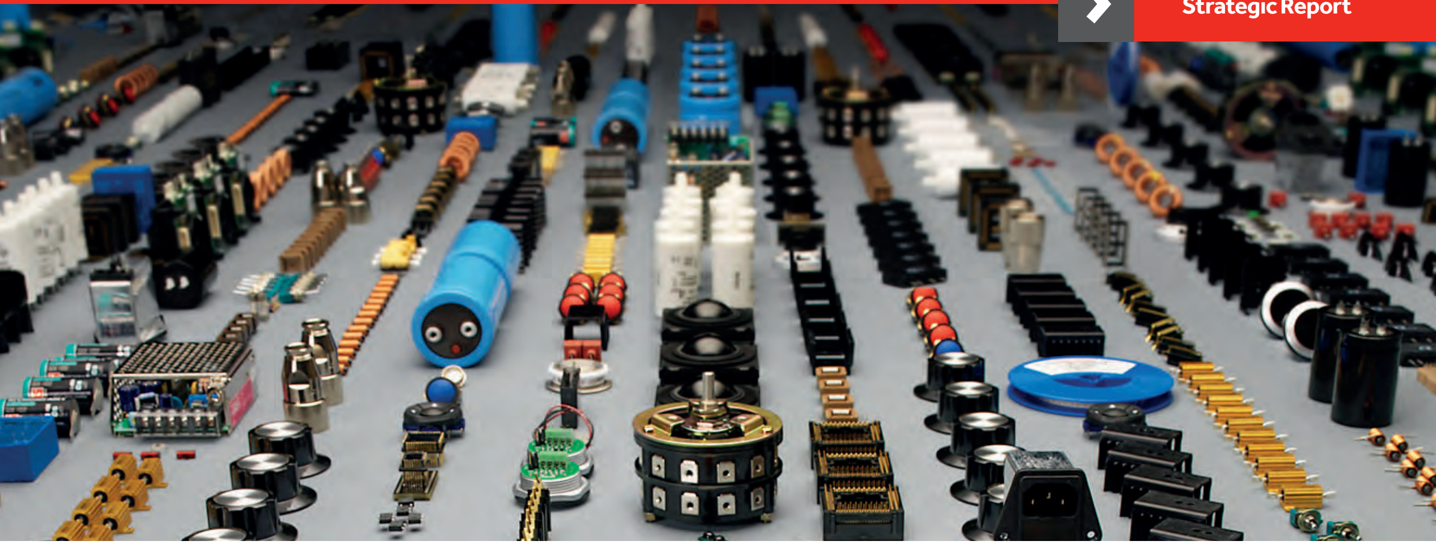
How we provide value

- We make it easy to do business
- We have a broad range of products and high stock availability
- We have significant sector-specific knowledge and technical expertise

Underpinned by our brand values

Seamless

We make complex things satisfyingly simple



- Multi-channel market approach
- Strong digital offering to help our customers quickly find, choose and buy products
- Detailed technical information, data and innovative design tools
- Procurement solutions to help reduce costs and complexity

- Enabling our customers to consolidate spend, reduce inventories and improve productivity
- Driving improved asset efficiency and preventative maintenance
- Our own-brand range, RS Pro, offers customers a high-quality, value choice
- Our products help keep people safe

- Knowledgeable sales teams with increasing sector-specific expertise
- Technical support to help customers with purchase decisions

Creating value for our stakeholders

Shareholders
We seek to deliver attractive returns for our shareholders, with sustained growth in profits and cash driving longer term share price appreciation and year-on-year growth in dividend.

Customers
Saving our customers time and money and making it easy to do business.

Suppliers
Providing insight and analysis for 2,500+ major suppliers of industrial and electronic products.

Employees
We are committed to nurturing talent and building a high-performance culture.

Communities
We respect, protect and contribute to the communities in which we operate.

Progressive
Always looking for a better way

Personal
People come before process

Our Strategy

Our vision: To become the global provider of end-to-end solutions offering products from mechanical to electronics, powered by technology, innovation and data-led insight.

Five strategic priorities

Best customer & supplier experience: We are focussed on excelling at the basics and driving differentiation for our customers and suppliers via innovation and data-led insight.

High-performance team: We are investing in talented leaders to build a results-orientated, customer-focussed, diverse, global talent base.

Operational excellence: We are focussed on continuously improving service and efficiency.

Innovation: We will introduce new products and solutions for our customers harnessing our digital expertise, data and insight and take advantage of changing market dynamics and new opportunities for growth and efficiency.

Reinvestment to accelerate growth: We will be disciplined in our allocation of strong cash flows between investment in the business to drive faster market share gains and providing attractive returns to our shareholders.

How we create value for our stakeholders

BEST-IN-CLASS ORGANIC REVENUE GROWTH

- Global provider of end-to-end solutions
- Market-leading customer service
- Differentiated with technology, innovation and data-led insight
- Best-in-class sales process and go-to-market approach

LEAN OPERATING MODEL

- Top-line growth driving operational gearing benefits
- Stable gross margin
- Compete on value, not price
- Continuously improving on service and efficiency driving further progress in headline operating profit conversion ratio

STRONG FREE CASH FLOW GENERATION

- Disciplined working capital management driving high headline operating cash flow conversion
- Strong balance sheet
- Dividend growth while re-building cover

DISCIPLINED INVESTMENT

- Capex at or ahead of depreciation to underpin above market growth
- Invest in innovation to drive improved customer experience and increase efficiency
- Selective value accretive acquisitions to accelerate strategy and top-line growth

Driving value for stakeholders

Our brands – how we will win

FOCUS

- To supply industrial customers with a broad range of industrial and electronic products and solutions across Europe and Asia Pacific.

FOCUS

- To offer the widest selection of authorised A&C and IP&E products to industrial customers in the large automation market in the Americas.

FOCUS

- To provide global industrial B2B customers with a high-quality value-for-money, own-brand choice.

DESIGNSPARK driving innovation and inspiration across all of our brands

OPPORTUNITIES

Market growth

- Industrial markets growing at GDP+

Market share gains

- Growth in customer numbers and order frequency driven by:
  - improved customer experience
  - digital leadership
  - tailor-made customer solutions
  - a greater focus on sector verticals
- Sell more to existing customers:
  - fill gaps in stocked range
  - expand non-stocked range
  - improve value-added services
- Develop global and large customer accounts programme

OPPORTUNITIES

Market growth

- Automation market growing above GDP driven by factory refresh and customer investment to drive productivity

Market share gains

- Growth in customer numbers and order frequency driven by:
  - improved customer experience
  - digital leadership
  - increased focus on sector verticals, e.g. food & beverage and pharmaceuticals
  - geographic expansion into new markets, e.g. Mexico
- Sell more to existing customers:
  - expand range into adjacent technologies
  - Maintenance Repair and Operations (MRO) opportunity selling RS Pro into existing customer base

OPPORTUNITIES

Market growth

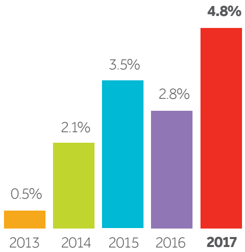
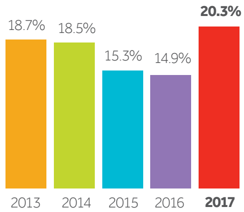
- Global industrial B2B market is growing ahead of GDP and highly fragmented

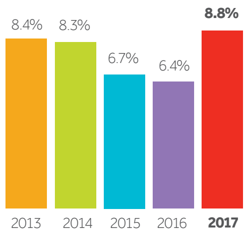
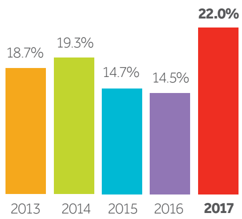
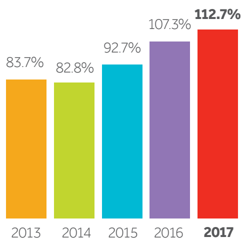
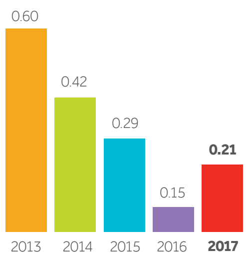
Market share gains

- Rationalise and expand product range with a focus on what customers want to buy
- Geographic expansion
- New routes to market

Key Performance Indicators
A balanced set of meaningful measures

We use the following seven key performance indicators (KPIs) to measure our progress in delivering the successful implementation of our strategy and to monitor and drive our performance. These KPIs reflect our strategic priorities: to deliver a best-in-class customer and supplier experience; to drive operational efficiency; and to reinvest cash flow both organically and via acquisition to drive future growth and returns for shareholders. Certain KPIs refer to headline performance measures, which are adjusted to take into account items that have a significant impact on the Group's results by virtue of their size, nature or occurrence (see note 2 to the Consolidated Financial Statements on page 88 for details).

KPI	Why this is important	Past performance	Link to strategic priorities	Link to risk
Underlying revenue growth **4.8%**	By driving a differentiated customer experience and providing innovative solutions, we aim to drive market share gains and higher revenue growth, which in turn drives profit growth. Revenue growth is adjusted for trading days and currency movements.		▷ Best customer and supplier experience ▷ High-performance team ▷ Innovation ▷ Reinvestment to accelerate growth	A B C D E F G I J
RS Net Promoter Score (NPS) **43.6**	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 90-day average NPS for RS, since getting consistently strong customer satisfaction ratings across the globe remains a key priority and will drive stronger financial performance.		▷ Best customer and supplier experience ▷ High-performance team ▷ Innovation	A B C E F G I
Headline operating profit conversion **20.3%**	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 headline operating profit. A high-performance team 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.		▷ High-performance team ▷ Operational excellence ▷ Innovation performance	C

KPI	Why this is important	Past performance	Link to strategic priorities	Link to risk
Headline operating profit margin **8.8%**	Headline operating profit expressed as a percentage of revenue. A great customer experience, high-performance team and operational excellence should all drive improvement in operating margins.		▷ Best customer and supplier experience ▷ High-performance team ▷ Operational excellence	A B C E F G J
Return on Capital Employed (ROCE) **22.0%**	A tight focus on working capital control and more disciplined capital investment, coupled with increased profitability, will drive improved returns for our shareholders. This is measured as headline operating profit expressed as a percentage of net assets excluding net debt and net retirement benefit obligations. We have modified our definition of ROCE to exclude the Group's net retirement benefit obligations from the calculation.		▷ High-performance team ▷ Operational excellence ▷ Reinvestment to accelerate growth	B C E F G J
Headline operating cash flow conversion **112.7%**	By tight working capital management and disciplined capital investment, we aim to convert a high percentage of our operating profits into operating cash flow. This is defined as headline free cash flow, pre-taxation and interest, as a percentage of headline operating profit.		▷ High-performance team ▷ Operational excellence	H
Group Lost Time Accident (LTA) frequency **0.21**	A safe environment is important for the well-being of our employees and the success of our business. We are targeting an ongoing reduction in the frequency at which time is lost due to our employees suffering accidents in the workplace.		▷ High-performance team ▷ Operational excellence	D

For definitions of all alternative performance measures, refer to Note 2 to the Consolidated Financial Statements (page 88).

Our strategic priorities can be found on page 8

Our risks can be found on pages 26 to 27

CEO's Review

LINDSLEY RUTH CHIEF EXECUTIVE OFFICER

> "Eighteen months on from the launch of the Performance Improvement Plan, we have stabilised gross margin, improved efficiency and begun to refocus the business back on what lies at its heart, the customer and the supplier."

Our Performance Improvement Plan, launched in November 2015, focussed on improving customer and supplier experience, building a high-performance team and driving operational excellence. As a result, since its initiation we have significantly reshaped and strengthened our leadership team, improved our Net Promoter Score (NPS) customer satisfaction score by 10%, and delivered total net cumulative annualised savings of £25 million. This focus has also led to a significant improvement in 2017 financial results with faster revenue growth, a 0.8% underlying improvement in gross margin, a higher conversion of gross profit into operating profit and a 33.7% underlying improvement in headline operating profit.

As we move into 2018 we are using the strong momentum we have in the business to reinvest in our brands, people and systems, and drive more innovation into our business to accelerate growth and increase efficiency in the future. We are encouraged by results so far, but feel we are still very much at the beginning of this journey and have significant opportunity for further improvement.

Building a high-performance team

A key focus this year has been on further strengthening and diversifying the leadership team. I'm building an Executive Management Team (EMT) who shares my ambition and vision for the business and for whom a satisfactory performance is no longer good enough. If we want to drive transformational change in our culture and our results, we need to set the bar high and this starts with leadership. During the year we have hired new Presidents for both RS and Allied, a new President of Product and Supplier Management and a Senior Vice President of Corporate Development, all of whom have joined my EMT (for details of the EMT see page 37). We have also hired a new leader for our Central Europe hub and significantly strengthened leadership and talent in areas such as Innovation, Digital, IT and RS Pro.

As you can see from the table below, we are attracting leaders with significant industry experience from global companies often much larger than our own; leaders who are ambitious and attracted by the significant opportunity to drive growth and improvement at Electrocomponents. We are also investing in training and development programmes for our people so that they can become the leaders of the future. One of our key assets is our people and we need to ensure we invest, educate and motivate them to drive best-in-class results for our customers, suppliers and shareholders.

Name	Biography	Title	Appointment date
Michael Cramb	Michael was Vice President Corporate Development at Alent plc. He also held senior positions at UK Government Investments and Rexam plc.	Senior Vice President Corporate Development	October 2016
Marianne Culver	Marianne was UK Managing Director at TNT and prior to that Executive Director of Transformation and Supply Chain/Supplier Management at Premier Farnell plc.	President, RS Components	November 2016
Steve Newland	Steve was Senior VP Americas – Global Sales Operations at Mouser Electronics and prior to that Chief Operating Officer for GEOS Communications. He also held senior positions at Grainger and Honeywell.	President, Allied Electronics	February 2017
Thomas Nowak	Thomas was Senior Vice President, Marketing & Merchandising at Staples. He also held senior positions at Bol.com, Kesa, Hewlett Packard, Samsung and Philips.	President, Product & Supplier Management	July 2017

Best-in-class customer & supplier experience

We are putting the customer and supplier back at the heart of this business. Our 'Voice of the Customer' and 'Voice of the Supplier' regular feedback gives us a unique level of understanding on how we can improve and differentiate our service to these two key stakeholder groups. Meanwhile, our people are highly motivated to drive these improvements, with NPS, a measure of customer satisfaction, being a key driver of the Annual Performance Reward.

We are making good progress at resolving key pain points that customers experience in their interactions with our organisation. Our cross-functional teams are working using the Agile development methodology to project manage the fixing of issues along the customer journey, whether online search and site speed or product availability and proactive customer communications in the offline world. As a result, we have seen some pleasing progress.

- 120 customer-benefitting website improvements
- Significant improvement in website page speed
- Website customer satisfaction score above retail average benchmarks
- Launched an improved mobile-optimised website

However, this work is by no means done and we need to continue to accelerate our efforts to ensure that we deliver a best-in-class customer experience. Everything we do is about making our customers' lives easier. Our go-to-market approach with specialised sector and regional sales means we have the specific expertise to help our customers run their businesses, whether it be support on purchasing, managing inventory or improving efficiency.

Horiba Mira (see right-hand box) is one example of a successful RS collaborative partnership in the automotive industry. We have also launched a Global Customer Accounts programme to help us serve the increasing number of multinational companies who want to do business with us on a global scale. This has not been a priority for us in the past and represents an exciting opportunity for the Group going forward.

We are also improving the level of technical support that we offer our customers. Allied, our North American business, has invested in field application engineers, working in tandem with our sales representatives, to meet customers' technical needs out in the field. Meanwhile our DesignSpark team continues to innovate to ensure we offer engineers online tools to make their working lives easier. During the year, we launched Obsolescence Manager, a tool that provides engineers with product management and risk analysis for sourcing end-of-life parts and components.

In a similar manner we use the 'Voice of the Supplier' feedback to determine how we can drive a truly differentiated supplier experience. We are working on a whole number of projects, including simplifying and speeding up new product introductions and providing suppliers with more analytics and insight. We are improving the level of information we give suppliers on customer buying behaviour, demand and inventory levels.

At present, the bulk of our investment in this area is spent on getting the basics right, but going forward we need to drive more innovation into our offer to truly differentiate ourselves; this is something we'll come onto in more detail later (see page 15).

RS improves processes at HORIBA MIRA

HORIBA MIRA is a global provider of pioneering engineering, research and test services to the automotive, defence, aerospace and rail sectors. RS is helping HORIBA MIRA to develop its internal stores process and is acting as a strategic partner for all consumables on site. The RS StoreManager is a web-based inventory management tool, which gives complete visibility of stock levels, control over spend and improved efficiency within one centralised store. "In order to support the continued growth of MIRA Technology Park and meet the exacting requirements of our customers, we needed an innovative supplier we could count on to help us streamline our purchasing process," said David Walters, Stores and Logistics Function Leader at HORIBA MIRA. "To achieve this, we developed a successful collaborative partnership with RS, who helped us streamline our internal stores process and provided strategic guidance for all consumables on site. This has allowed more effective management for our inventory, giving complete visibility of stock levels, control over spend and improved efficiency."

CEO's Review

Reinvesting in our brands

During the year, we have also increased investment in both online and offline marketing to ensure our brands and people are front of mind for our customers, suppliers and communities. We have invested in pay per click (PPC) and search engine optimisation (SEO), which has driven over eight million visits to our RS websites per month, developed engaging video content generating 6.1 million views, and increased social and email marketing.

Our DesignSpark community now has over 500,000 registered users. We have increased our presence at trade events including the biannual electronics fair in Munich, 'electronica', where our stand 'The Engineer's Playground' (pictured above) was well attended by both customers and suppliers leading to over 100 supplier meetings and over 10,000 new customer leads. Meanwhile, Allied brought together around 100 key suppliers and sales representatives to learn about new products, discuss marketing initiatives and build relationships at its proprietary tradeshow, EXPO. The event was also used to promote the RS Pro product range to Allied sales office managers and outside sales representatives. The US remains an important opportunity for growth for RS Pro going forward.

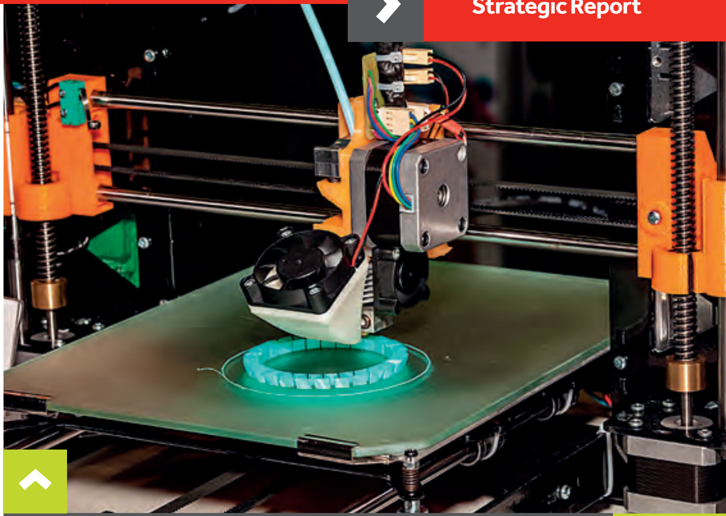
Our RS Live mobile experience (pictured on the front cover) has not only increased interaction with our suppliers and customers but also importantly with our communities. We have visited schools and universities during the year to promote Science, Technology, Engineering and Mathematics (STEM) subjects, ensuring we help to educate the next generation of engineers (see Corporate Responsibility on page 28).

Driving operational excellence

When I arrived at Electrocomponents, I was struck by the complexity of the organisation and its processes. I believed we had a significant opportunity to simplify the way we operate and deliver efficiencies.

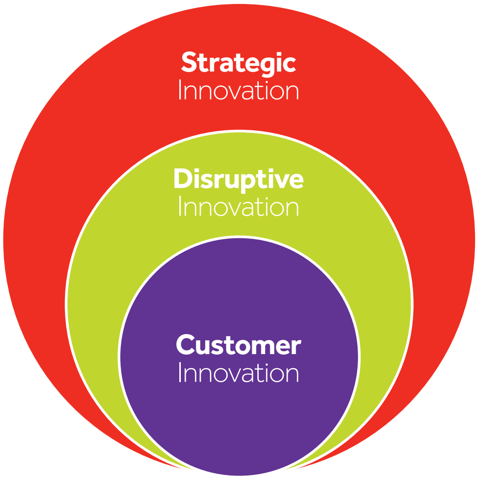
Over 2016 and 2017, we have delivered £25 million of net cumulative annualised savings and we remain on track to deliver £30 million of net cumulative annualised savings by March 2018. As an organisation we are all now extremely focussed on making our operating model as lean and efficient as possible so we can convert a higher percentage of gross profit into operating profit.

As a result of the significant actions we have taken to address our cost base over the last 18 months, our headline operating profit conversion ratio rose 5.4 percentage points in 2017 to 20.3% (2016: 14.9%). We continue to believe we have scope to improve this ratio further as we identify ways we can work more efficiently and redeploy investment into areas where we can drive faster growth.



Innovation

However, it is not all about driving efficiencies. In the past, we have not invested enough in driving differentiation and innovation in our offer and while we have pockets of innovation in our business, such as DesignSpark, we have failed to fully capitalise on them.



Going forward, we have a team of highly talented individuals who are exclusively focussed on looking at ways we can drive more innovation and differentiation into our offering. This may be by using automation or new technology to drive efficiency and improve our service by monetising new revenue opportunities arising out of changes in our industry.

The first step is customer innovation to improve the existing services and tools we offer our customers. We have plans to revitalise and transform our eProcurement and inventory management tools to be best in class. We are also looking at ways we can better utilise and exploit the huge amount of data we have in our business.

We need to invest in and capitalise on DesignSpark, which has tremendous goodwill among engineers and suppliers but is not yet monetised. However, longer term, we also need to bring disruptive and strategic innovation to life in our organisation. Industry 4.0, the current trend of automation and data exchange in manufacturing technologies, has the potential to transform the way our customers do things, bringing further exciting opportunities to grow our business. We need to make sure we are focussed on identifying and capitalising on these opportunities either independently or via collaborative partnerships.

DesignSpark at the forefront of technology

Our DesignSpark team recognises and researches emerging trends to share with its community of over 500,000 members. These disruptive technologies evolve into innovative products and services that are eventually added to our portfolio. An example of this is the 3D printer, which we introduced two years ago as a new rapid prototyping tool, and now we offer 20 different versions.

More recently, we have introduced the pi-top, a Raspberry Pi-powered DIY laptop for students, and the igus robot kits, which enable the simple, cost-effective creation of a four-axis robotic arm.

CEO's Review
Business Review

Overall results	2017	2016	Change Reported	Change Underlying[1]
Revenue	£1,511.7m	£1,291.1m	17.1%	4.8%
Gross margin[2]	43.4%	42.7%	0.7 pts	0.8 pts
Headline[3] operating profit	£133.2m	£82.0m	62.4%	33.7%
Headline[3] operating profit margin	8.8%	6.4%	2.4 pts	1.8 pts
Headline[3] operating profit conversion ratio	20.3%	14.9%	5.4 pts	4.0 pts
Reported operating profit	£132.3m	£40.1m	229.9%	145.0%
Reported operating margin	8.8%	3.1%	5.7 pts	5.0 pts

Group revenue increased by 4.8% on an underlying basis, and 17.1% on a reported basis to £1,511.7 million (2016: £1,291.1 million) with all five regions in growth for the year. Encouragingly, we saw growth accelerate as the year progressed from 2.1% underlying growth in H1 to 7.5% in H2. RS Pro, our own-brand range, which represents 12.4% of Group revenue, outperformed the Group underlying growth rate with 6.4% underlying revenue growth during the year. eCommerce, which represents 60.2% of our revenue, saw underlying growth of 4.9%.

Group gross margin of 43.4% was up 0.8 percentage points on an underlying basis, 0.7 percentage points on a reported basis. Approximately two-thirds of the underlying increase in gross margin was driven by our own actions on discount discipline and pricing, coupled with foreign exchange benefits related to weaker sterling. The devaluation of sterling led to lower cost prices for our Southern Europe, Central Europe and Asia Pacific hubs, which more than offset the negative impact of higher cost prices for our UK business. The balance of the year-on-year improvement was driven by a reduction in the level of inventory write-downs.

Higher gross margins and tight cost control drove a 33.7% underlying increase in headline operating profit, a 62.4% increase on a reported basis, to £133.2 million (2016: £82.0 million). Group headline operating profit margin improved 1.8 percentage points on an underlying basis, a 2.4 percentage point improvement on a reported basis to 8.8% (2016: 6.4%). Reported operating profit rose 229.9% aided by the reduction in net reorganisation costs (detailed on page 21) from £41.9 million in 2016 to just £0.9 million in 2017.

Segmental results

We have reallocated a proportion of incentive charges out of central costs and into hub costs in order to give a fairer reflection of the underlying performance of the hubs. This change results in a movement of £0.9 million from central costs into hub costs in 2016. We have re-presented our 2016 segmental results to reflect these changes.

Revenue £m	2017	2016	Change Reported	Change Underlying[1]
Northern Europe	413.1	384.2	7.5%	4.6%
Southern Europe	301.9	250.4	20.6%	4.2%
Central Europe	206.6	173.4	19.1%	2.2%
Europe	921.6	808.0	14.1%	3.9%
Asia Pacific	197.1	163.2	20.8%	4.2%
North America	393.0	319.9	22.9%	7.3%
Group	1,511.7	1,291.1	17.1%	4.8%

Headline[3] operating profit £m	2017	2016[4]	Change Reported	Change Underlying[1]
Northern Europe	79.5	67.9	17.1%	16.4%
Southern Europe	36.1	23.0	57.0%	19.5%
Central Europe	14.3	6.2	130.6%	33.6%
Europe	129.9	97.1	33.8%	19.0%
Asia Pacific	(10.4)	(22.2)	53.2%	51.6%
North America	46.2	36.2	27.6%	10.3%
Hub Contribution	165.7	111.1	49.1%	27.9%
Central Costs	(32.5)	(29.1)	(11.7%)	(8.3%)
Group operating profit	133.2	82.0	62.4%	33.7%

Headline[3] operating profit margin £m	2017	2016[4]	Change Reported	Change Underlying[1]
Northern Europe	19.2%	17.7%	1.5 pts	1.7 pts
Southern Europe	12.0%	9.2%	2.8 pts	1.5 pts
Central Europe	6.9%	3.6%	3.3 pts	1.5 pts
Europe	14.1%	12.0%	2.1 pts	1.6 pts
Asia Pacific	(5.3)%	(13.6)%	8.3 pts	6.2 pts
North America	11.8%	11.3%	0.5 pts	0.4 pts
Hub Contribution	11.0%	8.6%	2.4 pts	2.0 pts
Group	8.8%	6.4%	2.4 pts	1.8 pts

1. Underlying adjusted for currency; revenue also adjusted for trading days.
2. Gross margin re-presented for a change in the classification of the expense with respect to the write-down of inventory to net realisable value from distribution and marketing expenses to cost of sales (see Note 1 on page 88 for more details).
3. Headline measures exclude net reorganisation costs of £0.9 million in 2017 and £41.9 million in 2016. For definitions of all alternative performance measures, refer to Note 2 to the Consolidated Financial Statements (page 88)
4. 2016 figures re-presented for reallocation of annual incentive charge (see Note 1 on page 88 for more details)

NORTHERN EUROPE

			Change	
	2017	2016	Reported	Underlying[1]
Revenue	£413.1m	£384.2m	7.5%	4.6%
Operating profit[2]	£79.5m	£67.9m	17.1%	16.4%
Operating profit margin[2]	19.2%	17.7%	1.5pts	1.7 pts

1. Underlying adjusted for currency; revenue also adjusted for trading days
2. 2016 figures re-presented for reallocation of annual incentive charge (see Note 1 on page 88 for more details)

The Northern European hub consists of the UK, Ireland and Scandinavia and is our most profitable region. The UK is the main market for this hub, accounting for around 90% of its revenue. Our UK business is the market leader, supported by 16 trade counters located in the country's key industrial towns and cities.

Northern European revenue increased by 4.6% on an underlying basis, an increase of 7.5% on a reported basis, to £413.1 million (2016: £384.2 million). The hub saw good growth across the year, with underlying revenue growth of 3.5% in H1 increasing to 5.6% in H2, with all three markets within the hub contributing to this strong performance. The UK continued its turnaround with robust growth throughout the year helped in part by a favourable competitive environment. The UK exited 2017 with its 16th consecutive month of growth in March.

The hub remains focussed on increasing market share gains by delivering incremental improvements to our customer and supplier experience, driving brand awareness via initiatives such as 'RS Live' (our mobile innovation experience pictured on the front cover), refining its go-to-market approach and improving sales effectiveness. The UK has run a successful sales effectiveness pilot, which has helped underpin this robust revenue performance and which will be rolled out across the rest of the Group during 2018. eCommerce revenue, which accounts for 67.8% of hub revenue, grew at 4.1% on an underlying basis. RS Pro revenue, which accounts for 21.7% of revenue, grew at 4.8% on an underlying basis.

The devaluation of sterling led to pressure on inventory prices for Northern Europe during H2. This negative impact from currency led to a decline in gross margin in H2, in spite of management activities to drive price initiatives, improve mix and increase discounting discipline. Robust sales growth and continued efficiency gains more than offset lower gross margin and investment in areas to drive growth such as PPC marketing, digital and RS Pro. As a result operating profit increased by 16.4% on an underlying basis, an increase of 17.1% on a reported basis, to £79.5 million (2016: £67.9 million). Operating margin rose 1.7 percentage points on an underlying basis, 1.5 percentage points on a reported basis, to 19.2% (2016: 17.7%).

SOUTHERN EUROPE

			Change	
	2017	2016	Reported	Underlying[1]
Revenue	£301.9m	£250.4m	20.6%	4.2%
Operating profit	£36.1m	£23.0m	57.0%	19.5%
Operating profit margin	12.0%	9.2%	2.8 pts	1.5 pts

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

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

Southern European revenue increased by 4.2% on an underlying basis, an increase of 20.6% on a reported basis, to £301.9 million (2016: £250.4 million), with all countries in the hub seeing good growth. Growth was strong across the year, with underlying revenue growth of 3.8% in H1 increasing to 4.5% in H2. The Southern European hub has been focussed on driving an excellent customer and supplier experience via improvements in our online offering, increased technical support and account management for key customers.

France grew broadly in line with the overall hub, with growth driven by RS Pro and the small and medium-sized customer segment. French corporate accounts saw slower growth given strong comparatives in the year. Italy saw growth accelerate in H2 after a slow start to the year, with H2 benefitting from easier trading comparatives and strong corporate account growth. Iberia saw good growth across the year with an acceleration in H2 driven by both corporate and smaller accounts and a strong RS Pro performance. eCommerce revenue, which accounts for 71.9% of hub revenue, was up 3.9% on an underlying basis. RS Pro, which accounts for 15.3% of revenue, was up 9.4% on an underlying basis.

Operating profit was up 19.5% on an underlying basis, a 57.0% increase on a reported basis, to £36.1 million (2016: £23.0 million). Operating margin was up 1.5 percentage points on an underlying basis, an increase of 2.8 percentage points on a reported basis, to 12.0% (2016: 9.2%). The hub saw an increase in gross margin primarily driven by foreign exchange movements, actions on pricing and increased discipline on discounting. This and the benefits of lower direct hub costs, more than offset investment in areas such as RS Pro and increased marketing to promote key strategic suppliers, including an acceleration in PPC and SEO activity.

CEO's Review
Business Review

CENTRAL EUROPE

	2017	2016	Change Reported	Change Underlying[1]
Revenue	**£206.6m**	£173.4m	19.1%	2.2%
Operating profit[2]	**£14.3m**	£6.2m	130.6%	33.6%
Operating profit margin[2]	**6.9%**	3.6%	3.3 pts	1.5 pts

1. Underlying adjusted for currency; revenue also adjusted for trading days
2. 2016 figures re-presented for reallocation of annual incentive charge (see Note 1 on page 88 for more details)

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

Central European revenue increased by 2.2% on an underlying basis, an increase of 19.1% on a reported basis, to £206.6 million (2016: £173.4 million). Following a disappointing H1 performance, we made changes to the hub leadership team and developed a new commercial plan for the region. The new interim management team has made a good start at turning around the revenue performance in this important region and we were encouraged to see underlying revenue growth improve to 4.6% in H2, compared to H1 decline of 0.2%. However, we still believe we have further work to do in Central Europe and we are not yet fully capitalising on the market opportunity in this region. We have recently appointed a new leader for the Central European hub; this appointment together with new country manager appointments in Germany and Austria mean we are confident we have the right leadership team in place to drive the hub forward.

eCommerce, which accounts for 71.2% of revenue in the hub, saw growth of 1.7% on an underlying basis. RS Pro, which accounts for 12.3% of revenue, grew 5.1% on an underlying basis. Looking at performance by market, Germany returned to growth in H2 driven by a pick up in sales in small and medium-sized accounts and a continued strong performance in corporate accounts. Performance in Benelux and Austria remains challenging overall, with both suffering from strong Raspberry Pi comparables. The smaller markets of Switzerland and Eastern Europe grew faster than the overall hub growth rate with a strong corporate accounts performance driving growth.

Operating profit was up 33.6% on an underlying basis, an increase of 130.6% on a reported basis, to £14.3 million (2016: £6.2 million). The hub saw an increase in gross margin primarily driven by foreign exchange movements and actions on pricing and increased discipline on discounting. This, and the benefits of lower direct hub costs, more than offset investment in areas such as innovation, RS Pro and PPC marketing, leading to the improvement in overall hub margin. Operating margin improved by 1.5 percentage points on an underlying basis, 3.3 percentage points on a reported basis, to 6.9% (2016: 3.6%).

NORTH AMERICA

	2017	2016	Change Reported	Change Underlying[1]
Revenue	**£393.0m**	£319.9m	22.9%	7.3%
Operating profit[2]	**£46.2m**	£36.2m	27.6%	10.3%
Operating profit margin[2]	**11.8%**	11.3%	0.5 pts	0.4 pts

1. Underlying adjusted for currency; revenue also adjusted for trading days
2. 2016 figures re-presented for reallocation of annual incentive charge (see Note 1 on page 88 for more details)

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

Overall, North American revenue increased by 7.3% on an underlying basis, an increase of 22.9% on a reported basis, to £393.0 million (2016: £319.9 million). Allied saw revenue momentum improve as the year progressed with H2 underlying revenue growth accelerating to 13.6% versus 1.4% in H1, driven by improved market conditions, further market share gains and easier trading comparatives.

The interim management team at Allied has focussed on driving growth and market share gains by investing in digital marketing, additional sales heads and expanding into new markets such as Mexico. The team has continued to improve customer experience both online and offline, with the addition of field application engineers to offer onsite technical support. As a result, we have taken market share in North America, particularly in the Automation and Control market, which remains Allied's key strength. eCommerce, which represents 42.0% of hub revenue, saw revenue increase 9.1% on an underlying basis benefitting from investment in digital marketing. RS Pro continued to see very strong growth from a low base during the year, with North America remaining a significant opportunity for the future growth of RS Pro.

Operating profit was up 10.3% on an underlying basis, 27.6% on a reported basis, to £46.2 million (2016: £36.2 million). While competitive initiatives led to a reduction in gross margin in the full year, this was more than offset by cost reduction initiatives. As a result our overall operating margin improved 0.4 percentage points on an underlying basis and 0.5 percentage points on a reported basis to 11.8% (2016: 11.3%).

A new President of Allied, Steve Newland, was appointed in February 2017. He has extensive industry experience and we believe he will bring a new level of energy and ambition to the Allied team.

ASIA PACIFIC

	2017	2016	Change Reported	Change Underlying[1]
Revenue	**£197.1m**	£163.2m	20.8%	4.2%
Operating loss[2]	**£(10.4)m**	£(22.2)m	53.2%	51.6%
Operating profit margin[2]	**(5.3)%**	(13.6)%	8.3 pts	6.2pts

1. Underlying adjusted for currency; revenue also adjusted for trading days
2. 2016 figures re-presented for reallocation of annual incentive charge (see Note 1 on page 88 for more details)

The Asia Pacific hub includes both our Asia Pacific and our emerging markets operations. Asia Pacific consists of four similarly sized sub-regions: Australia/New Zealand, Greater China, Japan and South East Asia. We have emerging markets operations in South Africa and Chile and use third-party distributors elsewhere.

Asia Pacific hub revenue increased by 4.2% on an underlying basis, 20.8% on a reported basis, to £197.1 million (2016: £163.2 million). Underlying revenue growth accelerated in H2 to 7.9% versus 0.5% in H1, with the improvement being driven by a recovery in growth in China and South East Asia. This recovery is a result of improvements in our customer service and go-to-market approach. Over the year, we have delivered a significant improvement in service reliability with a range reliability project across the region delivering some excellent results, including an improvement in the 'On Time to Promise' (OTTP) service metric in China from 76.0% to 84.9%. We remain focussed on driving further improvements in customer service in Asia Pacific to bring OTTP closer to the Group average level of 94%. We are also beginning to invest in customer acquisition in the region, which is leading to growth in customer numbers in both China and South East Asia.

Both emerging markets and Australia/New Zealand saw good double-digit growth trends across the year with the latter benefitting in particular from a recovery in demand from the resources sector. Japan continues to remain a difficult marketplace for us; customer experience in Japan is still not where it ought to be and this is impacting negatively upon revenue performance. We are taking steps to address these issues and in particular investing to improve our online experience in this predominantly web-based market.

eCommerce, which accounts for 50.8% of revenue in the hub, saw growth of 7.0% on an underlying basis. RS Pro, which accounts for 12.8% of revenue, grew 5.6% on an underlying basis.

Operating loss reduced by 51.6% on an underlying basis, a 53.2% reduction on a reported basis, to £10.4 million (2016: £22.2 million). This improvement was driven by significant restructuring activity within the region to lower the cost base as well as a good performance on gross margin. Gross margin improved during the year due to both management activities on price and mix and a currency tailwind from sterling weakness, which led to some purchasing benefits in the region.

CENTRAL COSTS

	2017	2016	Change Reported	Change Underlying[1]
Central costs[2]	**£(32.5)m**	£(29.1)m	(11.7)%	(8.3)%

1. Underlying adjusted for currency
2. 2016 figures re-presented for reallocation of annual incentive charge (see Note 1 on page 88 for more details)

Headline central costs are Group head office costs and include PLC, finance, human resources and legal costs. Headline central costs increased by 8.3% on an underlying basis, 11.7% on a reported basis, to £32.5 million (2016: £29.1 million). The increase was primarily driven by an increase in incentive costs reflecting improved operating results, and higher share-based payment charges, which more than offset a gain on centrally managed foreign exchange cash flow hedges.

Current trading and outlook

We have made an encouraging start to 2018, with continued strong underlying revenue momentum in the first seven weeks of the year. All our hubs are delivering revenue growth,with North America continuing to experience strong double-digit underlying revenue growth. We are using current growth momentum to accelerate investment in talent and innovation to drive faster growth in the business in the medium term. We remain on track to deliver a further £5 million of cost savings during the current financial year, leading to total cumulative annualised net savings of £30 million by March 2018. Work continues to identify further efficiencies and simplify the way we operate. All these actions mean that we are well positioned to make good progress in the year to March 2018.

Financial Review

DAVID EGAN GROUP FINANCE DIRECTOR

"We have made good progress at driving faster revenue growth, efficiency, improved profitability and stronger cash flow, while continuing to invest in areas that will be key to driving future growth."

Overview

During 2017, we have taken a significant step forward in both revenue and profit while continuing to invest in areas such as talent, innovation and service improvement for both customers and suppliers. We believe that differentiation in all these areas will be key to driving future growth. Within these financial statements we have made some changes to how we present gross margin and allocate our annual incentive charge across our regional hubs. These changes, which have no impact on the overall profitability of the Group, bring us closer in line with our peers and best practice, and are designed to give a fairer reflection of the underlying performance of the Group.

	2017	2016	Change Reported	Change Underlying[1]
Revenue	**£1,511.7m**	£1,291.1m	17.1%	4.8%
Gross margin[2]	**43.4%**	42.7%	0.7 pts	0.8 pts
Operating costs	**£(523.5)m**	£(469.1)m	(11.6)%	(2.6)%
Headline[3] operating profit	**£133.2m**	£82.0m	62.4%	33.7%
Headline[3] operating profit margin	**8.8%**	6.4%	2.4 pts	1.8 pts
Headline[3] PBT	**£128.0m**	£76.8m	66.7%	35.7%
Headline[3] EPS	**21.0p**	12.6p	66.7%	35.5%
Headline[3] free cash flow	**£117.7m**	£62.6m	88.0%	
Net debt	**£112.9m**	£165.1m	31.6%	
Leverage (× EBITDA)	**0.7**	1.5		
Full-year dividend per share	**12.3p**	11.75p	4.7%	

Summary income statement

£m	2017 Reported	2017 Adjustments	2017 Headline results	2016 Reported	2016 Adjustments	2016 Headline results
Revenue	1,511.7	–	1,511.7	1,291.1	–	1,291.1
Operating profit before exceptional items	133.2	–	133.2	82.0	–	82.0
Net reorganisation costs	(0.9)	0.9	–	(41.9)	41.9	–
Operating profit	132.3	0.9	133.2	40.1	41.9	82.0
Net finance expense	(5.2)	–	(5.2)	(5.2)	–	(5.2)
Profit before tax	127.1	0.9	128.0	34.9	41.9	76.8
Income tax costs – ordinary activities	(35.4)	–	(35.4)	(21.4)	–	(21.4)
Income tax costs – net reorganisation costs	0.4	(0.4)	–	8.4	(8.4)	–
Profit for the year	92.1	0.5	92.6	21.9	33.5	55.4
Earnings per share (p)	20.9		21.0	5.0		12.6

1. Underlying adjusted for currency; revenue also adjusted for trading days.
2. Gross margin re-presented for a change in the classification of the write-down of inventory to net realisable value to cost of sales from distribution and marketing expenses (see Note 1 on page 88 for more details).
3. Headline measures exclude reorganisation costs of £0.9 million in 2017 and £41.9 million in 2016. For definitions of all alternative performance measures, refer to Note 2 to the Consolidated Financial Statements (page 88).

Revenue

Group revenue increased by 4.8% on an underlying basis and 17.1% on a reported basis to £1,511.7 million (2016: £1,291.1 million). During 2017, it was pleasing to see positive revenue trends in all our five regional hubs, with each region seeing underlying revenue growth rates improve during H2 delivering Group revenue growth of 7.5% in H2 (H1 2017: 2.1%). eCommerce which represents 60.2% of revenue grew in line with the Group on an underlying basis with 4.9% revenue growth in the full year and an acceleration in H2 revenue growth to 7.5% (H1 2017: 2.1%). RS Pro, which accounts for 12.4% of revenue, outperformed Group revenue growth with 6.4% underlying revenue growth in the full year but saw growth slow to 5.6% in H2 (H1 2017: 6.6%) given tougher trading comparatives.

2017 reported revenue and profit had a significant benefit from currency movements and additional trading days. Revenue has benefitted by around £141 million from currency movements and around £10 million from additional trading days. In 2018 we expect to see some of this benefit reverse, as we will have fewer trading days, which we anticipate will have a negative impact on revenue of around £20 million.

Gross margin

The Group has elected to revise its presentation of gross margin. Historically, inventory write-downs to net realisable value have been included in operating expenses under distribution and marketing expenses. We believe it is now better to present inventory write-downs within cost of sales and we intend to report gross margin on this basis going forward. As a result, the Group has re-presented its costs relating to the write-down of inventory to net realisable value resulting in a movement of £10.4 million from distribution and marketing expenses to cost of sales for the year ended 31 March 2016. This change has no impact on Group profit before tax or operating margin, but has led to a 0.8 percentage point reduction in the previously reported gross margin for 2016 and a 0.3 percentage point increase in our previously reported headline operating profit conversion ratio (one of our seven KPIs) to 14.9%. For the year ended 31 March 2017, the change has led to a 0.5 percentage point reduction in gross margin to 43.4% and a 0.2 percentage point increase in our headline operating profit conversion ratio to 20.3%. There is no impact on other areas of the income statement or the assets or liabilities of the Group.

During the year, the Group's gross margin rose 0.8 percentage points on an underlying basis and 0.7 percentage points on a reported basis to 43.4% (2016: 42.7%). Approximately two thirds of the underlying increase in gross margin came from improved pricing, increased discounting discipline and foreign exchange. The recent devaluation of sterling has meant that foreign exchange moved from a negative for gross margins in H1 to a positive feature for H2 and for the full year as a whole. The balance of the year-on-year underlying improvement was primarily driven by a reduction in the level of inventory write-downs of £3.7 million.

Operating costs

We continue to focus on increasing efficiency and simplification so we can reallocate resource into higher growth areas and convert a higher proportion of gross profit into operating profit. During the year, the strong momentum in the business together with the delivery of £18 million of net annualised efficiency savings (H1 £13 million and H2 £5 million) enabled us to invest in future growth through talent, innovation, digital and RS Pro.

Total headline operating costs, which include hub costs and central costs, increased by 2.6% on an underlying basis and 11.6% on a reported basis to £523.5 million (2016: £469.1 million). We saw an increase in variable costs and employee incentive costs driven by faster revenue growth and improved business results.

As revenue growth significantly outpaced cost growth, our headline operating profit conversion ratio improved by 4.0 percentage points on an underlying basis and by 5.4 percentage points on a reported basis to 20.3% in 2017 (2016: 14.9%). Reported operating costs as a percentage of revenue fell by 1.7 percentage points to 34.6% (2016: 36.3%).

Net reorganisation costs

The total net reorganisation costs for the Group fell to £0.9 million during the year (2016: £41.9 million), which comprised a £2.1 million labour-related restructuring charge, which was partially offset by a profit on disposal of our Singapore warehouse of £1.2 million. The £41.9 million charge in 2016 comprised labour restructuring charges, costs of exiting our Singapore warehouse and non-cash asset write-downs.

Operating profit

Headline operating profit (stated before net reorganisation costs of £0.9 million) for the year increased by 33.7% on an underlying basis or 62.4% on a reported basis to £133.2 million (2016: £82.0 million). The headline operating profit margin rose 1.8 percentage points on an underlying basis, 2.4 percentage points on a reported basis to 8.8% (2016: 6.4%). Reported operating profit for the year increased by 229.9% to £132.3 million (2016: £40.1 million) with growth aided by lower reorganisation costs. Reported operating margin rose by 5.7 percentage points to 8.8% (2016: 3.1%).

Net finance costs

Net finance costs were £5.2 million, in line with 2016 (£5.2 million).

Profit before tax

Headline profit before tax was up 35.7% on an underlying basis or 66.7% on a reported basis to £128.0 million (2016: £76.8 million). Reported profit before tax was up 264.2% to £127.1 million (2016: £34.9 million), with the year-on-year growth aided by the significant reduction in net reorganisation costs to £0.9 million in 2017 (2016: £41.9 million).

Financial Review

Taxation

The Group's headline tax charge was £35.4 million (2016: £21.4 million), resulting in an effective tax rate of 28% on headline profit before tax, unchanged from the prior year. The reported tax charge was £35.0 million (2016: £13.0 million). This includes a tax credit of £0.4 million relating to the tax effect of the restructuring charge, and a charge of £1.1 million relating to the Group's assessment of uncertain tax provisions (2016: £1.8 million credit). The effective tax rate on reported profit before tax was 28%.

The Group's effective tax rate is sensitive to the geographic mix of profits, and reflects the impact of higher rates in certain jurisdictions such as the US. Looking forward to 2018 we do not envisage any significant change to our headline effective tax rate.

During the year, the Group's tax strategy was reviewed and endorsed by the Board. We continue 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 our 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 and honest manner.

Profit for the year

Headline profit for the year was £92.6 million (2016: £55.4 million). The reported profit for the year was £92.1 million (2016: £21.9 million).

Earnings per share

Headline earnings per share was up 35.5% on an underlying basis and up 66.7% on a reported basis to 21.0p (2016: 12.6p). The weighted average number of shares was 440.4 million (2016: 439.4 million). Reported earnings per share was up 318.0% to 20.9p (2016: 5.0p).

Financial position

Net assets at the end of 2017 were £389.0 million (2016: £355.8 million). Return on capital employed calculated using year-end net assets excluding net debt balances and net retirement benefit obligations was 22.0% (2016: 14.5%).

Summary balance sheet

	2017			2016		
£m	**Assets**	**Liabilities**	**Net assets**	Assets	Liabilities	Net assets
Intangible assets	**260.3**	**–**	**260.3**	241.3	–	241.3
Property, plant and equipment	**96.9**	**–**	**96.9**	96.0	–	96.0
Investments in associates	**1.0**	**–**	**1.0**	0.7	–	0.7
Other non-current assets and liabilities	**27.2**	**(94.2)**	**(67.0)**	16.5	(78.6)	(62.1)
Current assets and liabilities	**582.1**	**(266.8)**	**315.3**	502.1	(213.8)	288.3
Capital employed	**967.5**	**(361.0)**	**606.5**	856.6	(292.4)	564.2
Retirement benefit obligation	**–**	**(104.6)**	**(104.6)**	–	(43.3)	(43.3)
Net cash (debt)	**95.7**	**(208.6)**	**(112.9)**	362.7	(527.8)	(165.1)
Total 31 March	**1,063.2**	**(674.2)**	**389.0**	1,219.3	(863.5)	355.8

Summary cash flow

£m	2017 Reported	2017 Adjustments	2017 Headline results	2016 Reported	2016 Adjustments	2016 Headline results
Cash generated from operations	160.1	8.9	169.0	100.9	16.0	116.9
Net interest paid	(4.9)	–	(4.9)	(5.2)	–	(5.2)
Income taxes paid	(27.5)	–	(27.5)	(20.2)	–	(20.2)
Net cash flow from operating activities	127.7	8.9	136.6	75.5	16.0	91.5
Net capital expenditure	(15.1)	(3.8)	(18.9)	(28.9)	–	(28.9)
Free cash flow	112.6	5.1	117.7	46.6	16.0	62.6

For definitions of all alternative performance measures, refer to Note 2 to the Consolidated Financial Statements (page 88)

Cash flow

Cash generation during the year has been strong. Headline cash generated from operations increased to £169.0 million (2016: £116.9 million) with the increase being driven by the improvement in headline operating profit and continued tight working capital management. Working capital as a percentage of sales improved by 1.4 percentage points to 20.9% (2016: 22.3%). Stock turn improved to 2.8× (2016: 2.7×).

Net interest paid of £4.9 million (2016: £5.2 million) was in respect of borrowings, whilst income tax paid amounted to £27.5 million (2016: £20.2 million). The tax cash flow in 2017 benefitted from a deduction for restructuring costs incurred during the prior year. We expect the cash tax and the effective tax rate to converge in 2018 as this benefit is not repeated, and prior year tax losses continue to be utilised.

Net capital expenditure in 2017 was £15.1 million (2016: £28.9 million) and included a £3.8 million inflow from the proceeds of the sale of the Singapore warehouse. During the year, we took action to review a number of capital expenditure projects as we drove a higher level of financial discipline and project prioritisation into the capital expenditure planning process. As a result, capital expenditure fell to around 0.7× depreciation during the year (2016: 1.0×). The main capital expenditure project in 2017 was the completion of the global stock planning tool. We anticipate capital expenditure to run at around 1× depreciation during 2018.

Headline free cash flow for the year was £117.7 million (2016: £62.6 million). Headline operating cash flow conversion, which is defined as headline free cash flow pre taxation and interest as a percentage of headline operating profit and is one of our seven KPIs, improved to 112.7% (2016: 107.3%).

There was a net cash outflow relating to restructuring activities of £5.1 million during the year, which largely relates to labour restructuring charges partially offset by the proceeds from the sale of the Singapore warehouse of £6.3 million.

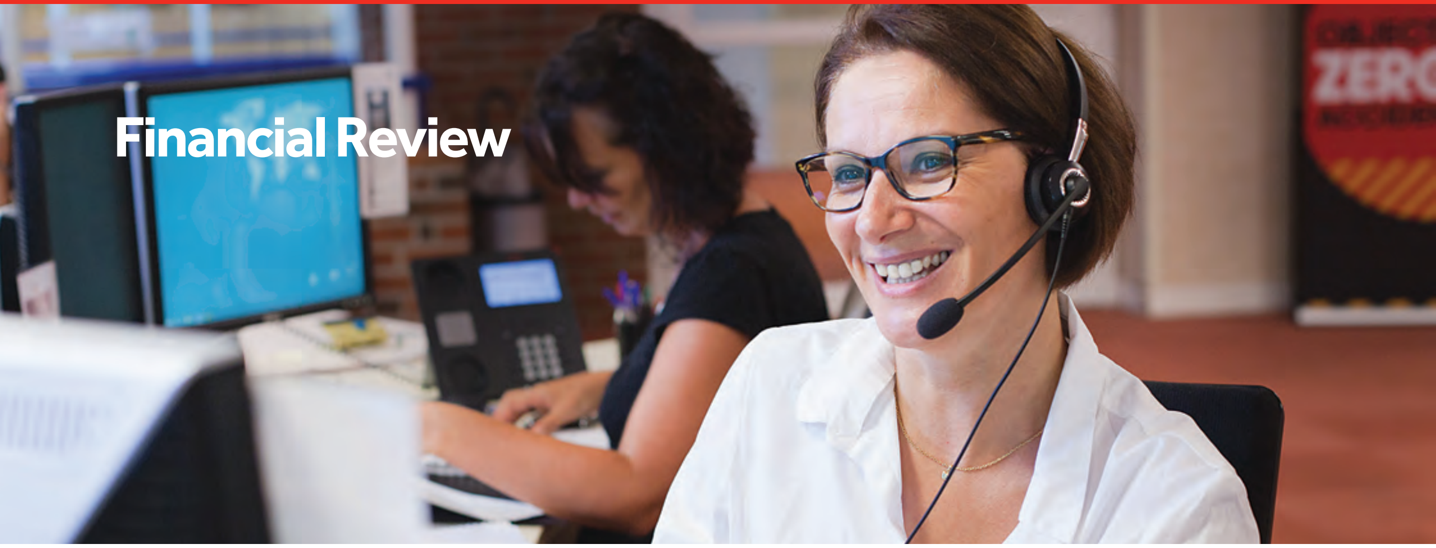
Net debt

Net debt at 31 March 2017 was £112.9 million (2016: £165.1 million), a 31.6% decrease year on year, driven by strong headline free cash flow from operations of £117.7 million, which more than covered the dividend payment of £51.7 million. Net debt comprised gross borrowings of £208.6 million offset by cash in hand of £76.7 million and other financial instruments of £19.0 million.

During the year, the Group’s c.£187 million syndicated multi-currency bank facility maturing in August 2019 was extended with six banks to August 2021. This facility, together with $185 million US Private Placement (PP) notes, provides the majority of the Group’s committed debt facilities and loans of £334.7 million, of which £181.4 million are undrawn as of 31 March 2017. The PP notes are split: $100 million maturing in June 2020 and $85 million maturing in June 2017. Cross currency interest rate swaps, which are maturing in June 2017, have swapped $40 million of the PP notes from fixed dollar to floating euro and $45 million from fixed dollar to floating sterling, giving the Group an appropriate spread of financing maturities and currencies.

Following additional guidance issued during the year by the IFRS Interpretations Committee (IFRS IC), we have revised our accounting policy relating to the offsetting of our cash pools. Balances will only be presented on a net basis when the Group has a legally enforceable right to set-off the recognised amounts, and intends to settle on a net basis or realise the asset and settle the liability simultaneously. As a result of this revised accounting policy we have restated our balance sheets to gross up both cash and short-term deposits and bank overdrafts by £317.0 million as at 31 March 2016 and by £277.9 million as at 31 March 2015.

The Group’s financial metrics remain strong with EBITA interest cover of 29.4× and net debt to EBITDA of 0.7×, leaving significant headroom to the Group’s banking covenants. Under the new extended bank facility, the net debt to EBITDA ratio has been amended so that net debt is now computed using average rather than closing exchange rates.



Financial Review

Pensions

£m	2017 UK	2017 Germany	2017 Republic of Ireland	2017 Other	2017 Total	2016 UK	2016 Germany	2016 Republic of Ireland	2016 Other	2016 Total
Fair value of plan assets	500.0	–	6.5	–	506.5	438.0	–	5.5	–	443.5
Funded defined benefit obligations	(590.9)	–	(6.9)	–	(597.8)	(468.4)	–	(6.1)	–	(474.5)
Status of funded plans	(90.9)	–	(0.4)	–	(91.3)	(30.4)	–	(0.6)	–	(31.0)
Unfunded plans	–	(8.8)	–	(4.5)	(13.3)	–	(7.5)	–	(4.8)	(12.3)
Total net liabilities	(90.9)	(8.8)	(0.4)	(4.5)	(104.6)	(30.4)	(7.5)	(0.6)	(4.8)	(43.3)

Pensions

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.

The combined gross deficit of the Group's defined benefit and retirement indemnity schemes at 31 March 2017 was £104.6 million; this compares to £133.5 million at 30 September 2016 and £43.3 million at 31 March 2016. Under IAS 19, the deficit of the UK defined benefit scheme at 31 March 2017 was £90.9 million, which compares to £116.6 million at 30 September 2016 and £30.4 million at 31 March 2016. The increase in the UK deficit in 2017 was principally driven by an increase in liabilities due to discount rates falling by 1.0 percentage point from 3.6% to 2.6%.

The triennial valuation of the UK Scheme at 31 March 2016 showed a deficit of £60.8 million on a statutory technical provisions basis. A recovery plan is in place, which has been agreed with the Trustees of the UK Scheme and our deficit contributions will continue with the aim that the Scheme is fully funded on a technical provisions basis by 2023. We expect 2018 cash contributions to be broadly in line with 2017 however we expect to see an increase in the charge to the income statement of around £3 million due to an increase in the net retirement benefit obligation.

Dividend

The Board proposes to increase the final dividend to 7.3p per share. This will be paid on 26 July 2017 to shareholders on the register on 16 June 2017. As a result, the total proposed dividend for the 2017 financial year will be 12.3p per share, representing an increase of 4.7% over the 2016 full year dividend, resulting in headline earnings dividend cover of 1.7×. The increase in the dividend reflects the Board's confidence in the future prospects of the Group and the Group's strengthened balance sheet. The Board intends to pursue a progressive dividend policy whilst remaining committed to further improving dividend cover over time by driving improved results and stronger cash flow. The Company has sufficient distributable reserves to pay dividends for a number of years and when required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

Foreign exchange risk

The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on 2017 mix of non-pound sterling denominated revenue and adjusted profit, a one cent movement in euro would impact profits by £1.0 million and a one cent movement in US dollars would impact profits by £0.3 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. We maintain three to six months' hedging against freely tradeable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures relate to euros and US dollars.

Managing our Risks

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 reputation 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 Group's Executive Management Team (EMT) with specific mitigating actions/controls owned by individual members of the team. 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) 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 defined its risk appetite across three risk categories: strategic, operating and regulatory/compliance. These three categories use both quantitative and qualitative criteria. During the year ended 31 March 2017, the Board reviewed again its risk appetite across the three categories with no significant changes being made.

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.

Viability statement

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years to 31 March 2020.

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 considered the Group operating profit, revenue, cash flows, net debt and key operating measures over the three-year period. These metrics were subject to material but plausible downside stress analysis, taking account of the principal risks set out on pages 26 and 27, with a focus on the possible effects on the Group as the UK government negotiates the UK's exit from the EU, how the Group responds to market shifts such as changes in customer demands and/or competitor activity, and the potential impact of volatility in foreign currency earnings. These risks could lead to a downturn in revenue or weakened margins or a combination of revenue decline and weaker margins. In assessing the potential impact of these scenarios, we considered our current robust capital position and ability to flex our cost base and working capital position and other actions to protect viability in 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 47, 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. The Group's financial position, in particular cash flow, is also reviewed 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 118 with the earliest date of our facilities expiring being June 2017 in respect of $85 million of the Group's Private Placement loan notes. In making this statement regarding viability, the Directors have also made the key assumption that the remaining sources of funding will continue to be available throughout the three-year period to 31 March 2020.

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.

Managing our Risks

Principal risks and uncertainties

The Group has identified ten principal risks, which are similar to those disclosed last year, with the only changes being the developing of some already identified risks, e.g. the risk associated with the UK exit from the EU following the UK referendum result on 23 June 2016. The Group's principal risks are categorised under one of three headings: strategic (see the Group's Strategy on page 8), compliance and operating risks (see the Business Model on page 6). These categories mirror those used by the Group to assess its risk appetite.

Risk description	Risk direction	Mitigating activities
Strategic risks		
A **Consequences on the organisation of the 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 (around 80% of our purchases for the global RS brand are routed through the UK to serve our global customer base). Other related risks include migration of employees and potential impact with changes to existing legislation.*	Possible implications not fully defined and dependent on national negotiations with effects from 2019 onwards	▷ A Group risk assessment was undertaken in advance of the UK referendum, which led to reviews across business areas that would be affected by a UK exit and any subsequent changes to the UK/EU and UK/worldwide trading agreements. ▷ Across Electrocomponents these reviews 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. Other areas that are being, and will be, considered in the future include: employee mobility, treasury management and indirect taxation. ▷ A specific team, headed by the Group Finance Director, will continue to monitor the possible effects on, and mitigating actions open to, the Group as the UK government negotiates the UK's exit from the EU.
B **Fail to respond to strategic market shifts e.g. changes in customer demands and/or competitor activity** *Unforeseen changes in customer and market assumptions that the Group performance plans are based upon.*	No significant high-service level competitor changes anticipated	▷ Monitoring of market developments. ▷ Ongoing strategic and market reviews by the Board and EMT. ▷ Annual strategic planning process including the assessment of external market changes. ▷ Ongoing review of the competitive environment.
C **Performance Improvement Plan (PIP) does not deliver anticipated revenue growth and cost savings** *This risk could lead to lower than forecast financial performance both in terms of revenue growth and cost savings with changes required to Group plans.*	Current plans and actions delivering sales and reduced costs	▷ Prioritised set of proposals and projects, including sales growth initiatives and supporting activities across shared business services and our supply chain infrastructure, focussed on 'getting the basics right' for our customers. ▷ Governance structure with accountabilities designed to support delivery on time and budget, within our resources and capabilities.
Compliance risks		
D **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	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 with 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 the Head of Global Health and Safety and Environment. ▷ Real-time 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

Risk description	Risk direction	Mitigating activities
Operating risks		
E **Failure in supply chain infrastructure** *An unplanned event disrupting the business's supply chain, impacting the Group's ability to maintain customer service.*	Stable No changes to the Group's supply chain infrastructure	▷ Business continuity plans in place at operating locations. ▷ Annual tests undertaken at key warehouse, sales and back office locations.
F **Prolonged system outage** *The loss of a core transactional system resulting in the business being unable to serve customers.*	Stable No significant changes to the Group's IT infrastructure	▷ Resilient IT systems infrastructure featuring operating redundancies and off-site disaster recovery. ▷ Strict control over upgrades to core transaction systems and other applications. ▷ Recent migration of core transaction systems to an upgraded data centre.
G **Information loss/cyber breach** *An attack on the business's systems/data could lead to potential loss of confidential information and disrupt the business's transactions with customers (including the transactional website) and transactions with suppliers.*	Increase Increasing frequency and sophistication of cyberattacks on businesses	▷ Anti-virus software to protect business PCs and laptops. ▷ Procedures to update supplier 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 (CERT) to track software vulnerabilities.
H **UK Defined Benefit pension scheme cash requirements are in excess of cash available** *The company is required to contribute increased cash sums to the UK Defined Benefit pension scheme.*	Stable No significant changes to related financial and other assumptions 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 benefit scheme.
I **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.*	Stable No significant changes to the supply and retention of quality employees	▷ 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 PIP.
J **Macroeconomic environment deteriorates** *The Group's sales and hence profits are adversely affected by any decline in the global macroeconomic environment with other associated effects such as foreign exchange volatility.*	Stable Economic indicators currently showing no significant change in the global outlook	▷ Strong cash generative business. ▷ Strong balance sheet. ▷ Significant headroom maintained on banking covenants and facilities. ▷ Relevant cash flow foreign exchange hedging for business trading purposes. ▷ Tight cost management and control of stock.

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.

Group approach to CR

Our approach is to address the expectations of our customers, suppliers, shareholders, employees and other stakeholders to deliver real business benefits and to contribute to sustainability and thereby create long-term shareholder value.

The Group's performance is reported under the headings: Our Community, Our People, Our Business Practices, and Our Environment, Health and Safety (EH&S). We consider these CR impacts to be material to our business and we therefore focus our activity and reporting on these issues.

Our Community

- Respect and contribute to the communities in which we operate.
- Inspire young people toward Science, Technology, Engineering and Mathematics and influence the uptake of engineering.

Our People

- Create a high-performance culture and reward success.
- Recruit, develop and retain a talented and diverse workforce.

Our Business Practices

- Drive accountability and transparency to engender integrity and compliance.
- Work with and positively influence our supply chain to meet high ethical standards.

Our Environment, Health and Safety

- Protect the environment and use resources efficiently and effectively through continuous improvement.
- Eliminate harm to our people and achieve Target Zero, our vision of zero accidents to our people.

Our Community

The Group's approach to community engagement is responsive to the needs and opportunities at each individual site and country. This helps to enhance our reputation as an ethical and responsible business and employer. We encourage our people to volunteer and take the initiative in supporting national and local charities.

RS Live

Throughout 2017, we have had a particular focus on inspiring young people and influencing the uptake of engineering. We recognise the importance of trying to prevent a skills gap in the Science, Technology, Engineering and Mathematics (STEM) subjects. As a business that serves the engineering community, we have a responsibility to promote the importance of engineering as an academic discipline and to encourage the next generation of engineers.

In 2016, we launched RS Live, an impressive 35-tonne mobile experience, which toured across Northern and Central Europe showcasing innovation to customers, academic institutions and local communities. Through a series of interactive display zones highlighting the whole range of engineering disciplines, the aim of RS Live is to bring engineering and technology to everyone, and to inspire future engineers.

RS Live served as a highly engaging educational resource for children and young people, from school to university undergraduate level, enabling us to reach out to youngsters from an early age to enthuse them through technology in action. The initiative, supported by the Institute of Engineering and Technology (IET) in the UK, provides a hands-on experience of engineering and technology through interactive training and workshop sessions.

RS Live has also visited our suppliers and customers, giving them a more personal experience and providing insight into how our business functions. By taking our business on the road, RS Live is providing us with an interactive platform on which to build and cement relationships.

Our People

We are committed to building a high-performance culture, which enables us to better serve our customers and to work with our suppliers through a leaner, more efficient organisation.

Talent

During 2017, the Group has focussed on developing management capability. This included:

- A senior talent review and future requirement gap analysis. Clear plans have been built to address gaps, strengthen succession planning, and to deepen the pool of available talent.
- Metrics and targets for talent management. These include gender diversity and associated actions to help the Group meet the gender diversity targets for 2020, as set out in the Hampton-Alexander review of FTSE Women Leaders, published by the UK Government Department for Business, Energy and Industrial Strategy.
- A new model of People Management to help build effective management skills. This focuses on three key 'habits' that create value: Connect, Perform and Grow.
- A People Manager Academy programme. This helps equip managers with the mindset, skills and tools to get the best out of their people every day. The training is based on 'development bursts', in which training is compressed into action-packed 120-minute learning sessions full of tips and techniques.
- Tools to help managers lead for high performance and support our people to be the best they can be.

Reward

Our 2017 Annual Incentive Plan and Long Term Incentive Plan (LTIP) have been redesigned to more effectively support our strategy. The Annual Incentive Plan provides greater line of sight for our people, whilst focussing on business priorities such as the inclusion of a customer-driven metric, Net Promoter Score (NPS), in addition to the financial metrics of sales, profit and cash.

The new LTIP (see page 57) was introduced following thorough consultation with our major shareholders. We have structured the plan to reward long-term performance and recognise exceptional performance with exceptional reward.

Diversity

Gender diversity across our business, as at 31 March 2017:

- Overall headcount: 3,054 female; 2,717 male
- Senior management team: 88 female; 171 male
- Board of Directors: 2 female; 7 male

Our Business Practices

Information security

The information security section of the Group's Code of Conduct, 'Our Standards', has been updated to reflect the digital evolution of our business. We work to proactively keep information safe, including employee, customer and supplier data, and performance and business information. Our information security programme helps ensure that all employees are aware of the risk of not protecting information.

Compliance training

Training on compliance has taken place in higher risk markets supported by training to improve awareness and understanding of the Code of Conduct, with a particular emphasis on anti-bribery and anti-corruption.

EU Market Abuse Regulation

The EU Market Abuse Regulation, which covers the management of trade information together with share-dealing restrictions and disclosure requirements for Persons Discharging Managerial Responsibility (PDMRs) and insiders, came into force in July 2016. We updated our processes to take account of the new regulation.

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.

'Our Standards' sets out the high ethical standards of behaviour to which our people are expected to work. It covers gifts, hospitality and donations, fraud, trade compliance, competition law, anti-bribery and anti-corruption, conflicts of interest and respect for employees. 'Our Standards' was updated this year and is available in seven languages; every employee is accountable for following it.

Our employment practices are designed to attract, retain, motivate and train people and to respect their rights. We give fair consideration to applications for employment from disabled people as well as their training, career development and promotion. Where appropriate, facilities are adapted and retraining offered to any employee developing a disability whilst employed. We comply with relevant employment legislation and regulatory obligations.

The Group communicates business performance and key developments to employees in various ways and in different languages: two-way communication is also actively promoted. We operate a whistleblower policy, Speak Up, which is managed by a wholly independent third party.

The Modern Slavery Act Transparency Statement is published on the Electrocomponents website and has been included in our Ethical Supplier Declaration and incorporated into our indirect procurement materials and processes.

Corporate Responsibility

Our Environment, Health and Safety

Environment

The Group's key environmental impacts include energy-related CO_2 emissions, waste generation and recycling, packaging use and water consumption. The Electrocomponents Environmental Policy articulates our commitment to protect the environment and to use energy and other resources efficiently to provide our products and services.

Electrocomponents has participated in the annual Carbon Disclosure Project (CDP) since 2008 and in 2016 was scored top out of 20 in the FTSE 350 'Information Technology' sector with a score of 'A-', which places the Group in the CDP 'Leadership' category.

During the year, RS UK received the Carbon & Energy Management and Reduction Scheme (CEMARS) Gold Certification Award, having reduced carbon emissions each year for the past six years, amounting to a 24% overall reduction.

The Group complies with the CRC (Energy Efficiency) scheme applying to all our facilities in the UK and complies as well 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, 3]

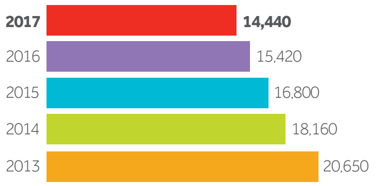
The Group's target is to continuously improve environmental performance in all key areas. Environmental performance during 2017 was mixed compared to 2016. Energy CO_2 emissions and recycling performance improved whilst waste, packaging and water-related performance deteriorated. Sales growth at constant currency has benefitted the intensity measures.

Key aspects of the Group's performance include:

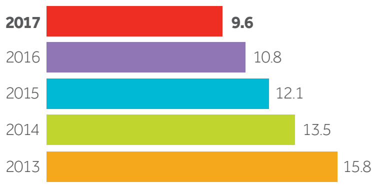
- CO_2 emissions due to energy use in our premises were reduced by 6.4% to 14,440 tonnes in 2017 (2016: 15,420 tonnes). This was also 14.0% lower than in 2015.
- Taking into account the growth in sales, CO_2 emissions intensity was down 11.1% to 9.6 tonnes per £ million (2016: 10.8 tonnes per £ million). This was 21.0% lower than in 2015. The improvements were achieved through efficiency measures and site rationalisations.
- In absolute terms, total waste was up by 7.3% to 3,810 tonnes (2016: 3,550 tonnes). The increase was mainly due to one-off refurbishment activities in the Corby offices.
- Waste intensity was up 1.7% to 2.52 tonnes per £ million revenue (2016: 2.48 tonnes per £ million).
- The proportion of total waste recycled was up by three percentage points at 74% (2016: 71%). This increase related to recycled materials from the Corby refurbishment.
- Packaging use per £ million revenue was up by 1.0% at 3.01 tonnes per £ million (2016: 2.98 tonnes per £ million). However, packaging intensity was 6.3% lower than in 2015.
- Total water use was down 4.9% in 2017, although with reduced headcount, water use per head was up by 0.7%, in part due to the use of water to test fire-fighting systems.

CO_2e due to premises energy use [4,5]

CO_2e (Tonnes)



CO_2e intensity (Tonnes CO_2e/£m revenue)



1. Prior to 2014, we reported our environmental performance on a calendar year basis. Thus the 2013 data covers the 2012 calendar year, which 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. Performance indicators are on a constant currency basis and as updated to reflect updates and changes in reporting methodology and emissions factors.
3. Excludes a number of smaller sites where energy, waste and water costs and consumption are included in lease costs.
4. The statutory information required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is set out on page 32.
5. CO_2 equivalent from all energy sources including market-based CO_2 factors for electricity and with 100% renewable electricity reported at zero kg CO2 per kWh.

Total hazardous and non-hazardous waste

Total waste (tonnes)

Waste intensity (tonnes/£ million revenue)

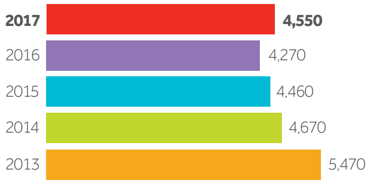
Hazardous and non-hazardous waste recycled

Recycled waste (tonnes)

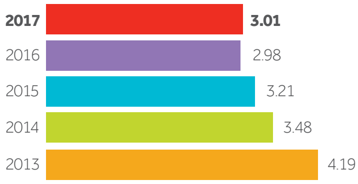
% of total waste recycled

Packaging use

Packaging (tonnes)

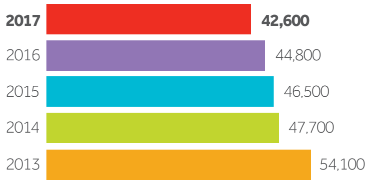


Packaging intensity (tonnes/£ million revenue)



Total water use

Water use (m^3)



Water use per employee (m^3/head)

Corporate Responsibility

CO_2 emissions due to third-party logistics

In addition to reporting the environmental impacts of our own operations and activities, the Group is working 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 is allowing us to work with our customers and suppliers to reduce the CO_2 emissions and thus the carbon footprint of the distribution supply chain.

During 2016, we 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. In 2017, we extended this to the CO_2 emissions associated with the delivery of products to customers. Provisional data indicates that these emissions are approximately double the emissions due to the use of energy in the Group's premises worldwide. Once the reports have been finalised, we plan to include further details in our 2017 CDP submission and on the Electrocomponents website.

Greenhouse gas emissions disclosures

In addition to the CO_2e emissions due to premises energy use, which are reported on page 30. 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.

	2017 tonnes CO_2e	2016 tonnes CO_2e
Emissions from combustion of fuels and operation of facilities:		
Combustion of fossil fuels[1]	**4,958**	5,134
Operation of facilities, including fugitive emissions[2]	**46**	22
Electricity purchased for own consumption:		
Purchased electricity[3]	**11,407**	12,412
Intensity measurement:		
CO_2e due to premises energy use per £m revenue	**9.6**	10.8
Total GHGs per £m revenue	**10.9**	12.3

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

1. Includes emissions of 1,927 tonnes relating to fuel use in company vehicles (2016: 2,123 tonnes).
2. 46 tonnes of CO_2e due to fugitive emissions from air-conditioning systems (2016: 22 tonnes).
3. Electricity from renewable sources at zero CO_2e per kWh (market-based method). Emissions increase by 1,332 tonnes at grid-average rates (2016: 1,418 tonnes) on a location basis.

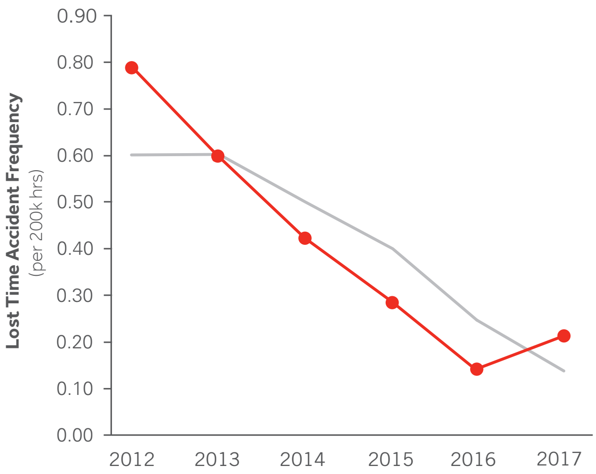
The Group uses the Greenhouse Gas Protocol with emission factors for standard grid electricity by country from the International Energy Agency and other factors as published by the UK Department of Environment, Food and Rural Affairs in order to calculate the CO_2e emissions included in this report.

Health and Safety

To further the goal of respecting and safeguarding our people, we continue to work towards 'Target Zero' on the basis that all incidents are preventable.

Our overall performance remains strong, however the Group has not maintained the rate of improvement achieved in 2016. Total accident performance remains stable but the number of Lost Time Accidents (LTAs) has been disappointing.

- A total of 118 accidents, including first-aid cases, were reported in 2017 (2016: 144; 2015: 316).
- The number of LTAs reported was 12 (2016: 9; 2015: 18).
- The LTA frequency rate per 200k hours worked was 0.21 (2016: 0.15; 2015: 0.29).
- A total of 119 working days were lost due to accidents in 2017 (2016: 78 days; 2015: 122 days).



Lost Time Accident performance

The increase in the number of LTAs reported in 2017 was not attributed to any specific or common cause being spread across all regions and in both office and distribution centre locations.

There has been no corresponding increase in total accidents and, whilst current performance is within the expected statistical variance for infrequent events, we have introduced a series of initiatives to address the increase in LTAs frequency, including:

- Deep-dive accident investigations to identify root causes. Lessons learned have been shared through a formal process.
- Near-miss reporting, training and other leading indicators have been reinforced.
- Quarterly communication campaigns have been introduced to ensure safety remains front of mind for employees. The campaigns look at differing elements of EH&S and are designed to catalyse and support regional initiatives.
- External benchmarking to identify and engage with leading industry performers.
- The launch of regional EH&S forums chaired by senior managers. These contribute to a new global forum, which was inaugurated in October 2016.

These initiatives have helped to reduce the incidence of LTAs with none reported in the last three months of the year.

Plans for the coming year include:

- We will launch a new global H&S management system framework through the EH&S forums prior to being cascaded to all managers. The framework includes a 'Commitment' statement from our CEO, Lindsley Ruth.
- We will move to the primary accident reporting metric of All Accidents. This will drive a focus on all accidents that occur and not just LTAs.

SAFE HARBOUR

This financial report contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Electrocomponents plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Electrocomponents plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of Electrocomponents plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, Electrocomponents plc has no intention or obligation to update forward-looking statements contained herein.

The Strategic Report was approved by the Board on 23 May 2017.

By order of the Board

Lindsley Ruth
Chief Executive Officer
David Egan
Group Finance Director

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
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
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
None.

PAST ROLES
David was Group Finance Director at Alent plc and he also held a variety of senior finance positions at ESAB Holdings and Hanson plc. David was also a Non-Executive Director of Tribal Group plc, and Chairman of its Audit Committee.

SKILLS AND EXPERIENCE
- Leadership
- International operations
- Emerging markets
- Current financial experience
- Distribution
- Manufacturing
- Mergers and acquisitions
- Service industry

COMMITTEE MEMBERSHIP
Chairman of the Treasury Committee.

JOHN PATTULLO
SENIOR INDEPENDENT DIRECTOR

Joined in January 2013

EXTERNAL ROLES
John is Chairman of NHS Blood and Transplant, Chair of In Kind Direct (a Prince's Charity) and also Chairman of V Group.

PAST ROLES
Until recently John was on the Board of GWI UK Acquisition Company Limited and Non-Executive Chairman of Marken Group (recently taken over by UPS). Previously, John was on the Board of CEVA Group plc and also served as Chief Executive Officer of CEVA Logistics, as well as Chief Executive Officer of the EMEA 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.

BERTRAND BODSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Joined in June 2015

EXTERNAL ROLES
Bertrand is Chief Digital and Marketing Officer at Sainsbury's Argos (part of J Sainsbury's plc), following Sainsburys' acquisition of Home Retail Group. He has previously been Chief Digital Officer at Home Retail Group.

PAST ROLES
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.

LOUISA BURDETT
INDEPENDENT NON-EXECUTIVE DIRECTOR

Joined in February 2017

EXTERNAL ROLES
Louisa Burdett is Group Finance Director at Victrex plc.

PAST ROLES
Louisa was Chief Financial Officer at Optos plc, Chief Financial Officer at the Financial Times Group, and also held roles at Chep Europe, a division of Brambles Ltd, the Australian listed pallet distribution company, GE Healthcare and GlaxoSmithKline plc. Louisa has also worked as an M&A Consultant at Charterhouse Bank and spent four years at KPMG in London.

SKILLS AND EXPERIENCE
- International operations
- Manufacturing
- Mergers and acquisitions
- Digital
- Service industry
- Current financial experience

COMMITTEE MEMBERSHIP
Member of the Audit, Nomination and Remuneration Committees. From July this year Louisa will take over the role of Chairman of the Audit Committee, when Paul Hollingworth retires from the business.

KAREN GUERRA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Joined in January 2013

EXTERNAL ROLES
Karen is a Non-Executive Director of Paysafe Group plc, Amcor Limited and Davide Campari-Milano S.p.A.

PAST ROLES
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.

SIMON PRYCE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Joined in September 2016

EXTERNAL ROLES
Simon is Group Chief Executive at BBA Aviation plc (also chairing the BBA Aviation Executive Management Committee), is also on the Board of the General Aviation Manufacturers Association (the US general aviation trade body), and Chairman of its International Affairs Committee.

PAST ROLES
Previously, Simon has held a range of international finance and management roles at JP Morgan and Lazards in London and New York and GKN plc in a range of international finance and management roles.

SKILLS AND EXPERIENCE
- International operations
- Emerging markets
- Manufacturing
- Mergers and acquisitions
- Integration
- Strategic financing and capital markets
- Leadership
- Service industry
- Group Chief Executive

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
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.

IAN HASLEGRAVE
GENERAL COUNSEL AND COMPANY SECRETARY

Joined in September 2006

EXTERNAL ROLES
None.

PAST ROLES
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.

BOARD COMPOSITION

Female

Male

BOARD TENURE

0-3 years	3-6 years	6+years
5	2	2

Executive Management Team

LINDSLEY RUTH CHIEF EXECUTIVE OFFICER - see page 34

DAVID EGAN GROUP FINANCE DIRECTOR - see page 34

IAN HASLEGRAVE GENERAL COUNSEL AND COMPANY SECRETARY - see page 36

KURT COLEHOWER PRESIDENT, RS PRO

Kurt is responsible for the RS Pro product range around the world. This includes growing the size and reach of the own-brand portfolio to further the benefits it offers to both customers and suppliers. Previously, Kurt was President of the Americas Components Group of Arrow Electronics. He also held senior positions at Solectron Corporation.

MICHAEL CRAMB SENIOR VICE PRESIDENT CORPORATE DEVELOPMENT

Michael is responsible for strategy development and M&A activity. He has extensive experience in business transformation and M&A. Previously, he led a strategic review and ran M&A and joint venture activity at Imagination Technologies Group plc. Prior to this, he was Vice President Corporate Development at Alent plc, and held senior positions at UK Government Investments and Rexam plc.

MARIANNE CULVER PRESIDENT, RS COMPONENTS

Marianne is responsible for driving profitable growth across the regions, developing the RS brand and delivering an improved experience for electronics and industrial customers. She has 25 years' experience as a senior international executive. Previously, she was UK Managing Director at TNT and prior to this, Executive Director of Transformation and Supply Chain/Supplier Management at Premier Farnell plc.

MIKAEL MALM CHIEF SUPPLY CHAIN OFFICER

Mikael is responsible for the ongoing development of the Group's supply chain, ensuring Electrocomponents continues to leverage its global scale in a safe and sustainable way to provide customers with an industry-leading service. Previously, he was Chief Operation Officer and Executive Vice President at Efore Oyj, Director Supply Chain Management at Huawei, and Head of Sourcing and Supply at Ericsson Saudi Arabia.

STEVE NEWLAND PRESIDENT, ALLIED ELECTRONICS

Steve is responsible for driving transformational and profitable growth in the Americas and further strengthening the exceptional customer service for which Allied is renowned. He has over 30 years' experience as a senior sales and operations executive. Previously, he was Senior VP Americas – Global Sales Operations at Mouser Electronics and prior to this, Chief Operating Officer for GEOS Communications.

Executive Management Team

THOMAS NOWAK PRESIDENT, PRODUCT AND SUPPLIER MANAGEMENT

Thomas is responsible for defining and implementing global supplier and range strategies across the RS and Allied businesses. His experience spans online, product and supplier management, and marketing in multiple markets, across consumer electronics and retail. Previously, he was Senior Vice President, Marketing, Merchandising and Online at Staples. Prior to this, he held senior roles at Bol.com, Kesa, Hewlett Packard, Samsung and Philips.

ALEXANDER VON SCHIRMEISTER CHIEF INNOVATION OFFICER

Alexander is responsible for both Digital and IT across the business, with a primary remit to further enhance and grow the eCommerce offering to ensure customers have a world-class online experience. Previously, he spent ten years in senior management positions at eBay, culminating in Vice President of eBay EMEA. He also held roles at Telefonica, Booz Allen & Hamilton, and Procter & Gamble.

IAN WATSON CHIEF HR OFFICER

Ian has responsibility for building an effective organisation and ensuring the business has the right skills and culture it needs to deliver the Group strategy. He has led a major culture change across the Group through the introduction of global behaviours, underpinned by performance management and reward structures. Previously, Ian held senior roles at Vodafone plc and the Thomas Cook Group.

EXECUTIVE MANAGEMENT TEAM COMPOSITION

Female

Male

EXECUTIVE MANAGEMENT TEAM TENURE

0-3 years	3-6 years	6+ years
9	–	2

Directors' Report

The Directors present their report and the audited financial statements of Electrocomponents plc (Company) together with its subsidiary undertakings (Group) for the year ended 31 March 2017.

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]	8
Policy on disability[1]	29
Employee engagement[1]	29
Greenhouse gas emissions[1]	32
Names of Directors who served during the year	45
Results	81
Details of employee share schemes	60 and 61
Subsidiary and associated undertakings and branches	107
Financial risk management (including hedging)	113

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	60
12 and 13	Shareholder waivers of dividends	102

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 81. An analysis of revenue and profit by hub is shown in Note 4 on pages 90 and 91. The Directors have declared dividends as follows:

Ordinary shares	
Paid interim dividend of 5p per share (paid on 11 January 2017)	2016: 5p per share
Proposed final dividend of 7.30p per share (to be paid on 26 July 2017)	2016: 6.75p per share
Total ordinary dividend of 12.30p per share for year ended 31 March 2017	2016: 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 8 to the accounts on pages 94 to 96.

As at 31 March 2017, the Company's issued share capital comprised a single class of 441,345,168 ordinary shares of 10p each, totalling £44,134,516.80.

The Company was authorised by shareholders at the Annual General Meeting (AGM) held on 20 July 2016 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 2017 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 2016, which was renewed for 2017.

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

Directors' Report

Financial instruments

For information on the Group's use of financial instruments, including its financial risk management objectives and policies, and the Group's exposure to certain financial risks, see Note 22 on pages 113 to 124.

Political contributions

In the year ended 31 March 2017 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 10.30am on Thursday, 20 July 2017 at Linklaters LLP, One Silk Street, London EC2Y 8HQ.

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 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 2017

There have been no important events affecting the Group since 31 March 2017.

Company number

Registered number: 647788.

Substantial shareholders

In accordance with Financial Conduct Authority's Listing and Disclosure and Transparency Rules, the Company has been notified of the following interests in the voting rights of the Company:

	As at 31 March 2017			Changes since year end upto the date of this report		
	Nature of interest	Number of shares	Percentage held	Nature of interest	Number of shares	Percentage held
Ameriprise Financial, Inc. and its Group	Indirect	70,560,238	15.99%		No change	
Silchester International Investors LLP	Indirect	70,410,061	15.95%	Indirect	57,367,320	12.99%
Majedie Asset Management Ltd	Indirect	22,070,869	5.02%		No change	
Sprucegrove Investment Management	Direct	22,025,563	5.00%		No change	

Set out below is a summary of certain provisions of the Company's current Articles and applicable English law concerning UK 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 holder 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. A number of amendments are being proposed at this year's AGM and these are detailed in the Notice of Meeting.

By order of the Board

Ian Haslegrave
General Counsel and Company Secretary
23 May 2017

Corporate Governance Report

PETER JOHNSON CHAIRMAN OF THE BOARD

> "Our ability to evolve securely is supported by our commitment to continue to strengthen our robust corporate governance framework."

Dear fellow shareholder

On behalf of the Board, I am pleased to present our corporate governance reports for 2017.

The Company and the Group are committed to high standards of corporate governance. The Board is accountable to the Company's shareholders and actively engages in two-way communication with them. During the year management 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 a number of meetings with shareholders, whilst the Chairman of the Remuneration Committee carried out extensive consultation in respect of the changes proposed to our long-term incentive scheme.

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 Company has complied with the relevant provisions throughout the financial year. This report explains how we have applied the Code during the year and confirms our compliance.

Looking ahead

This year has been a period of further development of the business with strong growth and changes continuing to be made throughout the organisation. The markets in which we operate continue to evolve rapidly and we will also need to continue to evolve if our aspirations for the Group are to be met. Our ability to evolve securely is supported by our commitment to continue to strengthen our robust corporate governance framework.

Further details of the Company's strategy going forward can be found in the Strategic Report on page 8 and in the Nomination Committee Report on pages 54 and 55.

Board development

During the year, we said goodbye to Rupert Soames and welcomed two new Non-Executive Directors, Simon Pryce and Louisa Burdett. Rupert has been an excellent Senior Independent Director over the years and I would like to thank him for his outstanding contribution to the Group and support to me as Chairman.

We will also say goodbye to Paul Hollingworth after the Annual General Meeting (AGM) on 20 July and I would like to thank him for his outstanding performance as Audit Committee Chairman over the last nine years.

Evaluation

We continuously evaluate the balance of skills, experience, knowledge and independence of the Directors. In line with Code requirements we have this year carried out an externally facilitated Board evaluation. The results and recommendations are discussed in detail later in this report, together with progress made on last year's internal evaluation.

Peter Johnson
Chairman
23 May 2017

UK Corporate Governance Code

During the year ended 31 March 2017, the Company has been subject to the provisions of the Code published in September 2014. We were also compliant with the updated version of the Code published in April 2016. The Code is publicly available at www.frc.org.uk. There are five main sections of the Code covering:

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

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 48
- Nomination Committee Report on page 54
- Directors' Remuneration Report on page 56

The Directors consider that the Company complied with all the relevant provisions set out in the Code throughout the year ended 31 March 2017.

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 34 to 36 and in the Notice of Meeting. These set out their skills and experience, details of roles and tenure, together with details of their membership of Board Committees.

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

- The review and approval of the Group's long-term strategy and its budgetary and business plans.
- The review and approval of major investment proposals and capital expenditure.
- Major changes to the Group's corporate structure (including acquisitions or disposals).
- 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 the Group's 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.
- Setting the Group's values and standards.
- On the advice of the Nomination Committee, reviewing succession plans for the Board and senior management.
- Evaluating Group and subsidiary performance and reviewing forecasts.

Further details of the outcome of Board discussions regarding the above can be found in the Strategic Report.

The Board is fully committed to diversity of gender, ethnicity, 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 Group-wide and at Board level can be found in the Our People section on page 29 and the Nomination Committee Report on page 55 respectively.

Corporate Governance Report

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 later in this report. Further details of the work, composition, role and responsibilities of the Audit, Remuneration and Nomination Committees are provided in separate reports on pages 48 to 71.

Effective division of responsibilities and Board operation

The roles of Chairman and Chief Executive Officer (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. Appropriate and relevant training course details are circulated by the Company Secretary who also shares with the Board a record of training courses attended by individual Directors. During the year, training on such subjects as leadership development and cyber risk were attended. 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 updates regarding corporate governance matters, the new Market Abuse Regulation, and the business approach to managing cyber risk (including associated system and business controls) 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 55.

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 (GFD) presents a detailed analysis of the financial performance, as well as reports on investor relations and feedback from investors.
- Updates on any relevant strategic matters are also presented. 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, provide updates on developments and changes to the business.
- The Company Secretary presents a report on key regulatory and legal issues that affect the Group.
- Updates from the Chairmen of the Committees of the Board are given (if applicable).

Between Board meetings, Directors meet with members of the EMT and are provided with information in a timely manner on matters affecting the business 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 on the next page sets out the number of meetings of the Board and 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 during the year and supplementary meetings of the Board are held when necessary.

	Scheduled						Unscheduled	
	Board		Audit Committee		Remuneration Committee		Nomination Committee	
Number of meetings held during the year	6[4]		4		3		4	
Bertrand Bodson	6	(6)	4	(4)	3	(3)	4	(4)
Louisa Burdett[1]	1	(1)	1	(1)	0	(0)	0	(0)
David Egan	6	(6)	–		–		–	
Karen Guerra	6	(6)	4	(4)	3	(3)	4	(4)
Paul Hollingworth	6	(6)	4	(4)	3	(3)	4	(4)
Peter Johnson	6	(6)	–		–		4	(4)
John Pattullo	6	(6)	4	(4)	3	(3)	4	(4)
Simon Pryce[2]	4	(4)	2	(2)	2	(2)	2	(2)
Lindsley Ruth	6	(6)	–		–		–	
Rupert Soames[3]	2	(2)	2	(2)	1	(1)	1	(1)

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

1. Louisa Burdett joined the Company as a Non-Executive Director with effect from 1 February 2017.
2. Simon Pryce joined the Company as a Non-Executive Director with effect from 26 September 2016.
3. Rupert Soames resigned from the Company as a Non-Executive Director with effect from 20 July 2016.
4. Unscheduled Board and Remuneration Committee meetings were held during the year in relation to the appointment of Simon Pryce and the September 2016 Trading Update.

Board evaluation

We noted in last year's report that we would be undertaking an external evaluation and we appointed Constal Limited to carry out this exercise for us. Constal work with companies to help identify ways to improve the performance of their boards. This is the second time Constal have facilitated our external Board evaluation, other than that they have no other connection to the Company; the Board therefore believes there are no issues around independence. The Board recognises the benefit of an external evaluation which it believes provides fresh insight and objectivity to its Committees and Directors, enabling it to improve its leadership, effectiveness and focus.

Evaluation Process

1	2	3	4
The Chairman and Company Secretary discussed and agreed the scope of the evaluation with Constal.	Constal, with the support of the Company Secretary, prepared an online questionnaire which was sent to Board members for completion. Feedback from Board members was provided on a no-name basis.	Constal analysed the responses and prepared separate reports of the findings for the Chairman, the Senior Independent Director and the Chairmen 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.	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. The SID also discussed the feedback on the Chairman with the other Directors.

The aim of the questionnaire sent to Board members was to obtain views on certain key corporate governance areas as well as to gauge how the Board considered it was operating through a significant period of change, and how it felt about the future scale of change in the business. It also gave members an opportunity to say candidly what they thought; what was being done well and what needed to be improved. Views were also sought on the Chairman and SID and the workings of the Committees of the Board. Constal was also available to answer any questions from the Directors.

Corporate Governance Report

The questionnaire included issues such as:

- Effectiveness of Board and Committee meetings, including team dynamics
- Contributions of the Board and its Committees
- Relationships with senior management around the direction and values of the organisation and the decision making process
- Delivery of strategy against performance measures
- Risk management
- Training and development
- Shareholder and stakeholder communications
- Succession and talent management

In addition, the Chairman held one-to-one meetings with each of the Directors and the Company Secretary, covering the themes outlined above, the dynamics of the Board, and the training and development needs of the Directors, as well as any other areas of concern. In relation to the performance of the Chairman, the Senior Independent Director (SID) had discussions with the CEO and GFD, in addition to the questionnaire completed by all members of the Board and provided feedback to the Chairman and the Non-Executive Directors respectively. It was agreed that the Company Secretary will also continue to seek regular feedback from the individual Directors.

The overall results of this year's evaluation were positive and there was a consensus about the challenges ahead and the areas of focus for the Board. It was noted that the Board members identified that early engagement between the Executive Directors and Non-Executive Directors was key to maintaining the existing good progress.

Evaluation Outputs

Last year we carried out an internal evaluation which was co-ordinated by the Company Secretary.

The actions taken during the year as a result of last year's evaluation, together with areas of focus for the coming year arising from this year's evaluation, are outlined below:

Outputs from last year's internal evaluation and actions taken during the year

The Board agreed that the main focus would be around the further development of the Group's strategy, 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. As a result of last year's evaluation the following has been achieved:

- **Strategy:** further progress has been made on the Group's new strategic direction, ensuring that the Group has the right organisational capability and leadership to support the future step change in performance and that the two new divisions of Electronics and Industrial are establishing themselves and working effectively with the new regional hubs.
- **Risk management:** the Board focussed on cyber risk and information security. Additionally, it monitored the scale of change within the organisation to ensure that the Group was coping effectively with the changes, keeping sight of the Group's key priorities and driving performance.
- **Succession planning:** strong foundations for longer term succession planning were considered throughout the year, both at Board level and within the senior leadership team in the business.

Outputs from this year's external evaluation

The Board agreed that more time needed to be spent on the Group's strategy and the organisational structure to support it. In addition, there needs to be more understanding around growth opportunities, the industry, competition and market dynamics. Actions include:

- **Time management:** ensure more time is given at Board meetings, scheduling regular updates for key areas of focus, such as strategy, talent, diversity and succession planning, whilst also ensuring that other items, such as growth opportunities, industry, competition and market dynamics are given sufficient time for discussion.
- **Digital capabilities:** consider how the Group can best differentiate itself from its competitors.
- **Succession plans/talent development:** assess depth of talent within the business by effectively managing existing talent and recruiting new talent, and develop succession plans to support this, and promote diversity.

Director re-election

Notwithstanding the provisions of the Company's Articles, in compliance with good governance, all Directors are required to retire, and if they wish to, stand for re-election at each AGM.

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 external evaluation process, also considers that the performance of all the Directors who are nominated for re-election continues to be effective and demonstrates commitment to their role, and therefore recommends that they are re-elected at the AGM.

Further details of each Director standing for election and re-election are provided on pages 34 to 36, including details of skills, experience and tenure. Details of their attendance at Board and Committee meetings are given on page 45 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 was continuously monitored and developed during the year under review and up to the date of approval of this Annual Report and Accounts.

Further details of this process are given in the Audit Committee Report on page 51 and the Strategic Report on page 25.

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 25, together with an analysis of the Company's principal risks and uncertainties on page 26.

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

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.

The GFD and Head of Investor Relations regularly report to the Board on investor relations, including reports compiled by the Company's brokers containing feedback from institutional shareholders. This ensures that the views of shareholders are communicated to the Board.

Investor relations activity during the year included:

- Final consultations with shareholders by the Chairman of the Remuneration Committee on the new incentive framework.
- Face-to-face meetings and telephone briefings for analysts, investors and potential 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 GFD are also available on the corporate website.
- AGM where each member of the Board is available to answer questions.
- Meetings took place between the Chairman and shareholders.

Audit Committee Report

"I will be leaving the business at a time when I feel it is in a good position to exploit both its strong commercial and financial base."

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's position and prospects in the full-year and half-year financial reports.
- 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 external Auditor, including the recommendation to approve their appointment and fees.
- Reviewing the scope and effectiveness of the external audit process.
- Reviewing whistleblowing and fraud procedures.

Specific focus during the year

We noted in last year's report that cyber risk would be a priority, with both internal and external reviews looking at our procedures in this area, and this is still the case.

As we noted in last year's report, in light of the changes across the business, and the associated organisational 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', and this was very much a focus of Internal Audit during the year. External assessments were also carried out during the year, in relation to both our internal audit and risk management processes.

The Committee, through its reviews, ensures that the business is in compliance with the changes in relation to the EU Audit Reform and associated changes to the Companies Act 2006, which were introduced during the year. These changes relate to Auditor tenure and audit partner rotation, appointment of Committee members by the Board, relevant sector skills for the Committee members and fees in relation to non-audit work undertaken by the external Auditor.

David Egan is an experienced finance professional who has worked across a number of different sectors, and during his first year as our Group Finance Director his experience and rigour has greatly added to the effectiveness of the finance function.

Specific focus for the coming year

As the business continues to change we will maintain our focus on the effective design and workings of the business' operating controls. This will specifically include the continuously evolving area of cyber risk and the associated system and business controls.

I will not be standing for re-election at the forthcoming Annual General Meeting (AGM), and this is my last Report as Chairman of the Company's Audit Committee. It is a pleasure to hand over to Louisa Burdett who has considerable experience in the role of Chief Financial Officer during her career. I will be leaving the business at a time when I feel it is in a good position to exploit both its strong commercial and financial base.

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

Paul Hollingworth
Chairman of the Audit Committee
23 May 2017

MEMBERSHIP AND MEETINGS

COMMITTEE MEMBERS

Paul Hollingworth (Chairman)
Louisa Burdett (from 1 February 2017)
Bertrand Bodson
Karen Guerra
John Pattullo
Simon Pryce (from 26 September 2016)
Rupert Soames (up to 20 July 2016)

OTHER REGULAR ATTENDEES

Company Chairman
Chief Executive Officer
Group Finance Director
Company Secretary
Group Financial Controller
Head of Internal Audit and Risk
Senior Statutory Auditor

The Board is satisfied that the Chairman of the Committee and Louisa Burdett have 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, expertise and competence 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 34 to 36.

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 45.

The Committee has independent access to the Internal Audit team and to the Auditor. The Head of Internal Audit and Risk and the external 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 external 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 Half-yearly Financial Report and the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable. It also takes into account the significant accounting issues and judgements noted on page 50, and to support its reviews, regular reports are also received from the Group Finance Director and the Group Financial Controller.

Further information about 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 2017 the Group carried out a process for reviewing the Annual Report and Accounts to ensure that these requirements were met.

The process used includes:

- A thorough understanding of the regulatory requirements for the Annual Report and Accounts.
- A draft copy provided to the Committee Chairman 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 2017 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.

Audit Committee Report

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 86 to 127.

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 86.

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 2017, the Group had £303.8 million (2016: £269.4 million) of inventory on the balance sheet.	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 revenue 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. The Committee agreed the reasonableness of the assumptions.
Pension valuation: The Group has material defined benefit pension schemes in the UK, Ireland and Germany. At 31 March 2017, the total deficit in relation to these defined benefit pension schemes was £100.1 million (2016: £38.5 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, and bond yields in particular do have a significant impact. The assumptions put forward by the actuaries and Group Pension Manager were compared by PwC with other similar schemes. The Committee also agreed the reasonableness of the assumptions.
Goodwill: There is £208.2 million of goodwill on the balance sheet at 31 March 2017 (2016: £182.0 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 13 on page 105. The Committee reviews these impairment tests every year, including the key assumptions, confirming that there remains adequate headroom in place and no impairment provision is required.
Reorganisation costs and asset write-downs: Included in this year's results is a charge of £0.9 million (2016: £41.9 million) relating to reorganisation costs, and in 2016 relating to reorganisation costs and the decision to halt development of a new website. The associated net cash outflow relating to reorganisation costs was £5.1 million (2016: £16.0 million).	The Committee reviewed the inclusion of costs shown as reorganisation costs by virtue of their size, nature or occurence, and received regular updates on the level and nature of these costs. The Committee believes the treatment of reorganisation costs, asset write-downs and related cash flows has been applied consistently, and that separate disclosure enables the reader more clearly to understand the headline financial and operating performance of the Group.

In April 2016, the IFRS Interpretations Committee (IFRS IC) issued an agenda decision regarding the treatment of offsetting and cash pooling arrangements in accordance with IAS 32: Financial Instruments: Presentation. This provided additional guidance on when bank overdrafts in cash pooling arrangements would meet the requirements for offsetting in accordance with IAS 32.

Following this additional guidance, the Committee reviewed the Group's cash pooling arrangements and the Group has revised its presentation of cash and short-term deposits and bank overdrafts on the Group balance sheet. Comparatives as at 31 March 2016 and 31 March 2015 have been grossed up by £317.0 million and £277.9 million respectively.

During the year, the Committee also reviewed the presentation of costs relating to the write-down of inventory to net realisable value, and the allocation of the annual incentive charge across the Group's operating segments. Following this review, costs relating to inventory write-downs have been re-presented, resulting in a movement of £10.4 million from distribution and marketing expenses to cost of sales for the year ended 31 March 2016. In addition, £0.9 million of the Group's annual incentive charge for the year ended 31 March 2016 previously reported within central costs has been allocated across the Group's operating hubs. Further details are set out in note 1 on page 88.

The Group undertakes a number of information technology projects in any given year to ensure that the Group is using up-to-date technology. The Committee has reviewed the appropriateness of the Group's accounting treatment with respect to costs of this nature. The Committee is satisfied that identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured and that costs that do not meet this criteria are expensed as incurred.

In addition to the above, the Committee reviewed the Group's taxation provision, which was £3.6 million as at 31 March 2017. This requires judgement in relation to accounting estimates regarding the tax liabilities accruing across our multiple geographies and the recoverability of losses and uncertain tax provisions. 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 2017, the Committee also considered analysis to support the Company's going concern and viability statements. Details of these statements are noted on page 25 of the Strategic Report.

Tax strategy and policies

During the year the Board reviewed and endorsed the Group's tax strategy. The Group has a tax strategy which is aligned to our business strategy, is low risk and is focussed on sustainability and compliance. Further details of the tax strategy and policies will be published on the Group's website by 31 March 2018 in line with the requirement of The Finance Act 2016 which requires large businesses to publish their UK tax strategy.

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 47, together with the going concern and viability statements on page 25.

The Committee receives quarterly reports from the Head of Internal Audit and Risk 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, the FRC Guidance on Audit Committees, 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's review included reconfirming Group's risk appetite. The outcomes of these reviews are reported to the Board. 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 include material controls, these cover financial, operational and compliance controls and risk management systems. Further information regarding principal risks and uncertainties to the business is given on page 26 of the Strategic Report. In addition, we undertook an external review of our internal audit and risk management processes.

Where weaknesses in the internal control system have been identified through the processes outlined above, plans for strengthening them are put in place and action plans regularly monitored. There were no 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 72.

The main elements include:

- Assessments by Internal Audit on the effectiveness of operational controls.
- Audit of Treasury controls by an external provider.
- 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 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 and other matters of concern.

Audit Committee Report

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 and Risk has regular contact with the Chairman of the Committee, through 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 as required. At least annually the Committee meets with the Head of Internal Audit and Risk without the presence of the executive management.

The external assessment of the Internal Audit function conducted during the year was to both benchmark the function and assess areas for improvement. The review reported that the Internal Audit function was operating effectively in line with the relevant International Standards, and noted areas for improvement which have been acted upon.

Auditor

Effectiveness and independence

The Committee and the Board put great emphasis on the objectivity of our external Auditor, PwC, in their reporting to shareholders. To ensure full and transparent communication, the Senior Statutory Auditor from PwC was present at all of the Committee meetings.

The Committee is responsible for reviewing the performance and effectiveness of the external Auditor, and covers qualification, expertise, resources and appointment as well as assurance that there are no issues which could adversely affect the external Auditor's independence and objectivity taking into account the relevant standards. This review takes place annually. As part of risk evaluation planning, the Committee considers the risk of its current external 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 AGM and the Board has accepted and endorsed this recommendation. The Company also considers the annual appointment of the external Auditor by the shareholders at the AGM to be a fundamental safeguard.

Further details of how we work with our external Auditor and how its independence is maintained can be found in the corporate governance section of our website. The Group will not engage the external Auditor to undertake any work that could threaten its independence.

The Company confirms that it has complied with the provisions of the Competition and Market Authority's (CMA) Order for the financial year under review in relation to the Competitive Tender process as defined in the CMA Order.

Tender and rotation

Following an external tender process carried out in 2014, we are not required to re-tender until 2024. This is in accordance with the EU Audit Regulation and Directive, and the Companies Act 2006, that states that there should be a public tender every ten years and a change of external Auditor at least every 20 years. There are no contractual obligations that restrict the Committee's choice of external Auditor.

Our Senior Statutory Audit Partner with PwC is Ian Chambers. Ian has held the role of our external Audit Partner since our last external audit tender process in 2014, and is due for rotation in 2019.

There were no significant engagements during the financial year from the 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 external Auditor's independence or objectivity. We have reviewed this policy during the year and as it is in line with the new EU Audit Regulation and Directive, no changes were required. In determining the policy, the Committee has also taken into account possible threats to the external Auditor's independence and objectivity.

Policy on non-audit services includes:

- In providing a non-audit service, the external 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 was £13,000.

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

Fees in relation to audit services

Statutory audit of the Company's consolidated financial statements	See Note 5 of the Group Accounts on page 92
Audit related services by Auditor and its network of firms	See Note 5 of the Group Accounts on page 92

The ratio of audit to non-audit fees for the year under review was 1%.

Interaction with regulators

During the year the company was notified by the Financial Reporting Council (FRC) that it had carried out a review of the Company's Annual Report and Accounts for the year ended 31 March 2016. Whilst it should be noted that the review conducted by the FRC provides no assurance that the Company's Annual Report & Accounts are correct in all material respects, we are pleased to report that the FRC did not raise any questions or queries with the Company at this stage. The FRC did recommend certain disclosure enhancements which, where appropriate, have been incorporated into the Annual Report and Accounts for the year ended 31 March 2017.

The FRC's Audit Quality Review team has also notified the Company's external Auditor and the Committee of its intention to carry out a review of PwC's audit of the Group's Annual Report and Accounts for the year ended 31 March 2017 as part of its 2017/18 inspection cycle.

Committee evaluation

The activities of the Committee were reviewed as part of this year's external Board evaluation process performed during the year under review. The responses to the questionnaires were positive. Meetings were consistently described as focussed and efficient and there were very few suggestions for change. The Committee works continuously to improve the quality and effectiveness of its meetings.

Further details of the evaluation process can be found in the Corporate Governance Report on page 46.

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 and the Group Finance Director. A register of all suspected fraudulent activity and the outcome of any investigation is kept and circulated to the Board on a regular basis, with the Committee also receiving regular updates. We take steps in line with good business practice to detect and prevent fraudulent activity. During the year, there were no frauds of a material nature, although as a business we are subject to various attempts at external and low level credit card and online fraud.

Whistleblowing

In accordance with the provisions of the Code of Conduct, the Committee is responsible for reviewing the arrangements whereby staff may, in confidence, raise concerns about illegal, unethical or improper behaviour or other matters and for ensuring that these concerns are investigated and escalated as appropriate. An external third party operates the reporting tools, except in Germany where local regulations prohibit this and an in-house alternative was set-up during the year. Whistleblowing is referred to as Speak Up internally and is available to all employees. The Vice President of Group Compliance undertook a focussed activity to promote the facility to our employees over the course of this financial year which included management briefings and face-to-face presentations across the Asia region. The Committee receives aggregated reports on matters raised through these services and monitors their resolution.

Nomination Committee Report

"The Committee continued to review succession planning for Executive and Non-Executive Directors as well as for the EMT and other senior managers within the business."

PETER JOHNSON CHAIRMAN OF THE NOMINATION COMMITTEE

Dear fellow shareholder

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

The Committee met on four 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 short and long-term succession plans for the Board, Executive Management Team (EMT) and critical senior management roles.
- Reviewing the standard process for appointing Directors, ensuring it is rigorous, transparent, inclusive and objective.
- Recommending suitable candidates for appointment to the Board and ensuring new Directors undergo an appropriate induction.
- Reviewing the Board's diversity policy.
- Reviewing the talent development programme and tracking progress.

Specific focus during the year

Paul Hollingworth will complete nine years as a Non-Executive Director in May 2017 and therefore will not stand for re-election at this year's Annual General Meeting (AGM). He has been an outstanding Chair of our Audit Committee. We began the search for a replacement last year and we are delighted that Louisa Burdett will take over as Chairman of the Audit Committee after a short period of transition.

During the year, the Committee recommended the appointments of Simon Pryce and Louisa Burdett as Non-Executive Directors. As well as extensive experience within a listed company environment, Simon brings expertise in mergers and acquisitions and of the US market, and Louisa has the recent and relevant financial experience required of an Audit Committee Chairman.

The Committee continued to review succession planning for Executive and Non-Executive Directors as well as for the EMT and other senior managers within the business to ensure we have the capability to drive the long-term growth and development of the business.

Specific focus for the coming year

Succession planning at Board, EMT and senior management levels will remain a focus of our work. We will continue to focus on how we can increase diversity at Board and executive levels. The recent Hampton-Alexander and Parker Reviews have highlighted the need for development of the talent pipeline at EMT level and below, and this is something that I take very seriously and the Nomination Committee will track progress in this area.

Peter Johnson
Chairman of the Nomination Committee
23 May 2017

Committee members

Peter Johnson (Chairman)
Bertrand Bodson
Louisa Burdett (from 1 February 2017)
Karen Guerra
Paul Hollingworth
John Pattullo
Simon Pryce (from 26 September 2016)
Rupert Soames (up to 20 July 2016)

Details of the skills and experience and tenure of the Committee members are given in their biographies on pages 34 to 36.

Members and their attendance at meetings during the year are set out in the Corporate Governance Report on page 45. The Chairman provides updates to the Board on the proceedings of each meeting.

Activities during the year

Succession planning	Rupert Soames (Senior Independent Director) and Paul Hollingworth (Chairman of the Audit Committee) in accordance with the Board Succession Planning Framework for the Board and EMT
Non-Executive Director appointment	Meetings in relation to the appointment of additional Non-Executive Directors and identifying a new Senior Independent Director

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 Simon Pryce, we appointed The Zygos Partnership to assist us. For Louisa Burdett we appointed Ridgeway Partners to help support us in finding a successor to Paul Hollingworth. Both Zygos and Ridgeway are accredited under the Enhanced Code of Conduct for search firms. Neither company has any other connection to the Company, and 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 and our corporate advisers, sales visits to customers, presentations from key business areas, tours of our UK warehouses, and the option to visit our overseas businesses, as well as technical training on legal and governance issues and any other relevant documentation.

Terms of appointment

Executive Directors have one year rolling contracts. 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 page 71.

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.

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, in both the short and long-term, remains a key focus for the Board. The Chief HR Officer gave presentations to the Board during the year on short and long-term 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 Simon Pryce and Louisa Burdett.

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 brought additional diversity of skills to the Board with the appointment of Simon Pryce and Louisa Burdett who bring with them a breadth of extremely valuable business and financial skills. Gender diversity has also increased during the year. We continue to have strong international diversity both at Board level and within the EMT, reflecting the global nature of our business. More information on activities within the Group to promote diversity is given in the Strategic Report on page 29.

Directors' Remuneration Report
Chairman's statement

JOHN PATTULLO CHAIRMAN

"A year of strong business progress which our revised remuneration policy supported through incentivising delivery of the strategic priorities."

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 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 2017. This Report is split into three parts: this statement summarising the key outcomes and decisions for the year; a summary of the Directors' remuneration policy which was approved by shareholders last year, and the Annual Report on Remuneration. Having renewed our remuneration policy last year, at this year's Annual General Meeting (AGM) we will be seeking your approval for a single resolution, to approve this statement and the Annual Report on Remuneration.

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 strategic priorities on which we based the remuneration policy last year.

Our remuneration policy has been designed to support this by:

- Aligning the interests of executives and shareholders, via performance measures aligned with our strategic KPIs and a substantial proportion of reward delivered in the form of Company shares.
- Supporting the changes to behaviours and culture required to deliver the strategy.
- 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.

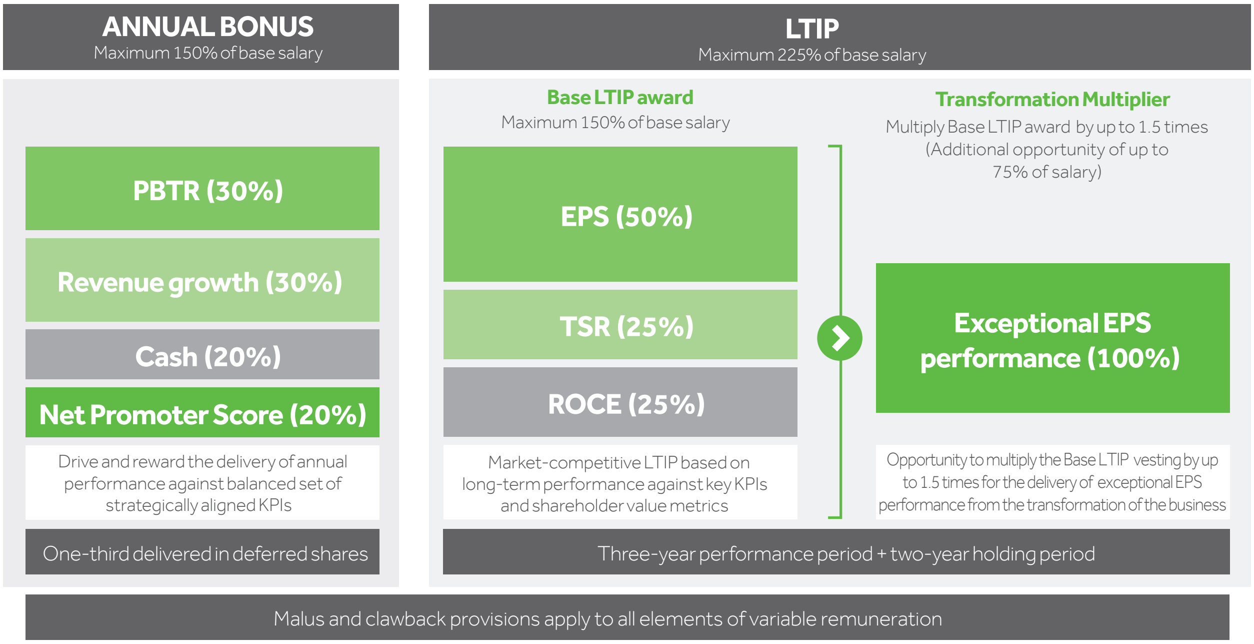
Our current policy, which is in place until 2019, is reflected in the diagram on page 57.

Performance pay outcomes in respect of the year

These are detailed on pages 64 and 65 of the Annual Report on Remuneration.

2017 was a year of strong performance for the business, where the strategic priorities put in place began to pay off. The Committee assessed performance in the year against the targets and determined that 82.5% of the maximum annual bonus should pay out. One-third of the bonus amount will be delivered in the form of deferred shares. Full details of the annual bonus targets are disclosed on page 64.

The 2014 Long Term Incentive Plan (LTIP) has exceeded maximum performance on the TSR performance condition, but not met its target on EPS, and 50% of the award will therefore vest. Further details regarding the performance targets and how they have been met are given on page 65. Neither of the current Executive Directors will receive shares under these awards as they were not employed by the Company at the time the awards were made.



Other key decisions made by the Committee

- The Committee reviewed the base salaries of the Executive Directors in the context of market data, individual and Company performance, and salary increases across the Group. The Committee agreed to increase the base salary of David Egan by 2.86% to £396,000 which is broadly in line with the average UK based employee increase of 2.9%. The Committee agreed an increase in Lindsley Ruth's base salary of 5.25% to £594,663, which is in line with the performance-based salary framework applied consistently throughout the UK business. These salaries will be effective from 1 June 2017.
- For the year ahead, the Committee has agreed new targets for the annual bonus plan, and for the forthcoming LTIP awards, in order that they continue to be stretching in light of significant progress made during the year under review. Further details of the performance conditions for the LTIP are given on page 62.
- The new LTIP framework shown above and approved by shareholders last year has now been embedded into the business and has been a key contributing factor to the exceptional performance delivered in financial year 2016/2017. As a result, we will be further extending participation in the LTIP throughout the Group.
- As a consequence of the change in the definition of ROCE (discussed in more detail on page 11 of the annual report), it was necessary to restate the ROCE targets for the 2016 LTIP award to ensure they remained aligned to the new definition. The revised targets are no less stretching than the original targets (and are actually marginally more stretching). Further detail is contained in the table on page 66.

Shareholder engagement during the year

Last year, ahead of the renewal of our remuneration policy at the 2016 AGM, I undertook an extensive engagement with our shareholders which helped the Committee refine its final proposals. I would like to thank shareholders for their engagement in this process and for their overwhelming support for the remuneration resolutions at our AGM. Both the Policy and the Annual Report on Remuneration received votes of over 98% in favour (see page 71 for detailed voting figures).

During the year ahead, I intend to meet a number of major shareholders to obtain their initial input to a longer term compensation strategy. Shareholders will recall that the remuneration framework approved in 2016 will need review ahead of the re-approval of the policy at the AGM in 2019 and this early consultation is the first step in that process.

In addition to the strong performance we have achieved over the year, I am also delighted that our new policy has successfully facilitated the appointment of a number of key executives during the year, including four new members of our Executive Management Team. These appointments are covered by Lindsley in more detail on page 12. We will continue to develop our remuneration approach to help attract the right calibre of leaders to drive transformational change in the business.

I hope we can continue to count on your support at the forthcoming AGM for implementation of our remuneration policy during the year under review, and for our plans for the year 2018.

John Pattullo
Chairman of the Remuneration Committee
23 May 2017

Directors' Remuneration Report
Directors' remuneration policy

Our Directors' remuneration policy was approved at the 2016 AGM held on 20 July 2016 and applies from that date.

A summary of the remuneration policy table is reproduced below for information only. The full Directors' remuneration policy is contained on pages 53 to 61 of the Annual Report and Accounts for the year ended 31 March 2016, and is also available in the corporate governance section of our website.

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.

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: ■ Revenue 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.

Directors' Remuneration Report

Directors' remuneration policy

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), approved 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 2017 Awards are set out on page 62. 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).

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

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 strategic priorities 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.

Directors' Remuneration Report
Annual Report on Remuneration

Implementation of Executive Director remuneration policy for the year ending 31 March 2018

Base salary

Base salaries for the Executive Directors effective from 1 June 2017 (with the prior year comparator and the change) are shown below:

	Salary effective 1 June 2017	Salary effective 1 June 2016	Change
Lindsley Ruth	**£594,663**	£564,850	5.25%
David Egan	**£396,000**	£385,000	2.86%

A salary increase averaging 3.05% across the Group was awarded at the annual pay review which is effective from 1 June 2017. Reflecting his performance during the year in leading the execution of the performance improvement plan and the delivery of exceptional business performance, the Committee agreed to increase the base salary of Lindsley Ruth by 5.25% which is in line with the performance-based salary framework applied consistently throughout the UK business.

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 revenue 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.

LTIP

Lindsley Ruth and David Egan will receive awards under the LTIP 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. Following vesting, the 2017 awards will be subject to a two-year holding period. Vesting of these awards will be determined in accordance with the following performance targets measured over the three years to 31 March 2020:

	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 FY18, FY19, FY20)	50%	71p	80p	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 FY18, FY19, FY20)	83p	88p
TSR (vs Industrial/ Electronic peer group[1])	25%	Median	Upper Quartile				
ROCE (average over FY18, FY19, FY20)	25%	20%	24%				

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

1. Comprises Acal, Bodycote, DCC, Dialight, Diploma, Essentra, Fenner, Goodwin, Grafton Group, Halma, Hill & Smith, Howden Joinery, IMI, Luceco, Morgan Advanced Materials, Oxford Instruments, Porvair, Renishaw, Renold, Rotork, Severfield, SIG, Spectris, Spirax-Sarco, Travis Perkins, Trifast, TT Electronics, Weir, Wolseley, Xaar, and XP Power. The TSR group contains all companies from the Electrical and Electronic Equipment, Industrial Machinery and Industrial Suppliers sectors of the FTSE All Share. The group for this year's award has been amended from that used last year to remove companies which no longer meet the criteria (Brammer, E2V Technologies, Melrose Industries, Premier Farnell and Vitec) and to add one new company (Luceco).

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 2018

For the financial year ending 31 March 2018, the Chairman's fees have increased from £190,000 to £220,000 and Non-Executive Director fees have remained the same. The increase takes effect from 1 April 2017.

Single figure for total remuneration for Executive Directors (audited) for the year ended 31 March 2017

The following table provides a single figure for total remuneration of the Executive Directors for the year ended 31 March 2017 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

	2017 £	2016 £
Lindsley Ruth		
Base salary	562,500	550,000
Taxable benefits[1]	27,056	129,109
Annual bonus[2]	699,188	196,433
LTIP[3]	–	–
Pension benefit[4]	112,500	110,000
Other[5]	–	1,085,933
Total	1,401,244	2,071,475
David Egan[6]		
Base salary	385,000	32,083
Taxable benefits[1]	14,938	1,200
Annual bonus[2]	476,438	11,459
LTIP[3]	–	–
Pension benefit[4]	77,000	6,417
Other[5]	7,336	–
Total	960,712	51,159

1. Taxable benefits consist of medical insurance, company car (or allowance), and personal fuel allowance. Lindsley Ruth's 2016 figure included a one-off relocation allowance of £107,690 paid to him in respect of his move from the USA.
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. The deferred share element (one-third of the figure shown in the table above) is deferred for two years. See 'Annual bonus in respect of performance for the year ended 31 March 2017, on page 64 for further details.
3. The LTIP value would show the value of LTIP awards made in July 2013 and 2014. 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) as a cash supplement in lieu of pension.
5. 'Other' includes options granted under the all-employee SAYE scheme during the year. On 22 June 2016, David Egan was granted 13,100 SAYE options; the value of SAYE options is £7,336, 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 Ruth, the 2016 figures included the value of his Recruitment Award, further details of which were included in page 68 of last year's report. The award value of £1,078,433 represents the value of remuneration forfeited when Lindsley Ruth left his previous employment. There were no performance conditions attached to the forfeited arrangement, therefore the Recruitment 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. David Egan was appointed a Director on 1 March 2016.

Directors' Remuneration Report
Annual Report on Remuneration

Single figure for total remuneration for Non-Executive Directors (audited) for the year ended 31 March 2017

For the year under review, the Chairman's fee was £190,000 per annum. The Non-Executive Directors received base fees of £50,000 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 (up to 20 July 2016) and John Pattullo (thereafter) received additional fees of £5,000 and £7,500 per annum respectively for their 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 2017 and the prior year:

	Total fee	
	2017 £	2016 £
Peter Johnson	**190,000**	180,000
Bertrand Bodson	**50,000**	41,667
Louisa Burdett[1]	**8,333**	–
Karen Guerra	**50,000**	50,000
Paul Hollingworth	**60,000**	60,000
John Pattullo[2]	**65,000**	60,000
Simon Pryce[3]	**25,000**	–
Rupert Soames[2]	**19,167**	55,000

1. Louisa Burdett was appointed as a Director on 1 February 2017.
2. Rupert Soames ceased to be a Director on 20 July 2016. John Pattullo took over his role as Senior Independent Director from this date.
3. Simon Pryce was appointed as a Director on 26 September 2016.

Incentive outcomes for the year ended 31 March 2017 (audited)
Annual bonus in respect of performance for the year ended 31 March 2017

The performance measures attached to the 2017 annual bonus plan were revenue growth (weighted 30%), PBTR (30%) cash flow (20%), and Net Promoter Score (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. Revenue targets are adjusted for currency but not for trading days.

Based on the Group's performance in the year ended 31 March 2017, against targets set at the start of the year for each performance measure, the Committee confirmed a bonus outcome of 82.5% of maximum for each of the Executive Directors. Full details of the target ranges and performance against each of the metrics are as follows:

Measure and weighting	Performance level	Payout (% of max. bonus)	Target	Actual performance	Earned bonus (% of max)
Revenue growth (30% weighting)	Threshold	0%	0.0%	5.5%	30%
	Target	15%	2.6%		
	Maximum	30%	5.5%		
PBTR (30% weighting)	Threshold	0%	£103.7m	£128.0m	30%
	Target	15%	£111.5m		
	Maximum	30%	£120.4m		
Cash flow (20% weighting)	Threshold	0%	£66.9m	£117.7m	20%
	Target	10%	£78.8m		
	Maximum	20%	£83.5m		
Net Promoter Score (20% weighting)	Threshold	0%	43.1	43.6	2.5%
	Target	10%	45.1		
	Maximum	20%	47.2		
				Total	**82.5%**

One-third of the annual bonus award will be deferred into shares under the DSBP which vest on the second anniversary of grant subject, normally, to continued employment. 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.

2014 LTIP awards vesting

Awards of shares made under the LTIP in July 2014 were subject to vesting 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 2017. No discretion was exercised in the levels of the award. Based on performance over this period, the Committee has determined that only the TSR element of this award will vest. Performance targets, and actual performance against these, is summarised in the table below. Neither of the current Executive Directors received awards in 2014 as they had not joined the Company at the date of the award.

	Electrocomponents' performance	Award vesting (% of LTIP award)
TSR % outperformance of FTSE 250 index		
Threshold: Index TSR Maximum: Index +20%	Index +65%	50%
Annualised three-year EPS growth		
Threshold: 5% per annum Maximum: 10% per annum	-2.2% per annum[1]	0%
	TOTAL	50%

1. The EPS targets for this award required cumulative EPS over the three year performance period calculated by applying the percentage growth targets shown. Actual performance in accordance with this methodology was -2.2% per annum. Awards were made using the average of share prices for the three dealing days immediately preceding 4 July 2014, the date the shares were awarded.

Scheme interests awarded during the year ended 31 March 2017 (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 2016):

	Lindsley Ruth	David Egan
Basis of award	One-third of earned bonus	One-third of earned bonus
Number of shares awarded	25,020	1,483
Award date face value (261.7p per share)[1]	£65,477	£3,880
Performance conditions	None	None

1. The awards were made using the average of the share prices for the three dealing days immediately preceding 17 June 2016, the date the shares were awarded.

LTIP

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

	Lindsley Ruth		David Egan	
	Base LTIP	Multiplier	Base LTIP	Multiplier
Basis of award (% of base salary)	150%	75%	125%	62.5%
Number of shares awarded	315,608	157,804	184,105	92,052
Award date face value (261.4p per share)[1]	£825,000	£412,500	£481,250	£240,625
Performance period	1 April 2016 – 31 March 2019			
Threshold vesting outcome	25% (of Base LTIP award)			
Post-vesting holding period	Two years			

1. The awards were made using the average of share prices for the three dealing days immediately preceding 20 July 2016, the date the shares were awarded.

The performance conditions were as follows:

	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	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
TSR (vs Industrial/ Electronics peer group[1])	25%	Median	Upper Quartile				
Restated ROCE (average over FY17, FY18, FY19[2])	25%	16%	22%				

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

1. Comprises Acal, Bodycote, Brammer, DCC, Dialight, Diploma, E2V Technologies, Essentra, Fenner, Goodwin, Grafton 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.

2. To ensure full alignment and transparency, LTIP performance is assessed using the same definition of ROCE as used for the reporting of key performance metrics. As a consequence of the change in the definition of ROCE (discussed in more detail on page 11 of the annual report), it was necessary to restate the ROCE targets for the 2016 LTIP award to ensure they remained aligned to the new definition. The ROCE target range for the 2016 award disclosed in last year's report of 17% to 23% was originally calibrated under the previous definition of ROCE. The Committee noted that a "mechanical" adjustment to reflect exactly what these targets would have translated to assuming that the new ROCE definition had been in place when the targets were originally set would have resulted in a reduction to the target range of between 1.4% and 1.9%. However, the Committee decided to take a more conservative approach by reducing each end of the range by just 1% (to 16% to 22% shown in the table above). As a result, it can be seen that while the targets have been lowered to reflect the new definition, they are no less stretching than the original targets and are actually marginally more stretching.

SAYE

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

	David Egan
Basis of award	Fixed £ savings contract
Number of options granted	13,100
Share price used for grant[1]	285.1p
Exercise price	229p (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 24, 25 and 26 May 2016.

Total pension entitlements (audited)

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 63.

Payments to past Directors (audited)

Other than as set out in last year's Directors' Remuneration Report, there were no payments to past Directors during the year.

External appointments in the year

During part of 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 was £26,775 for the period 1 April to 31 October 2016. David was permitted to retain the fees relating to this appointment.

Percentage change in remuneration for the CEO

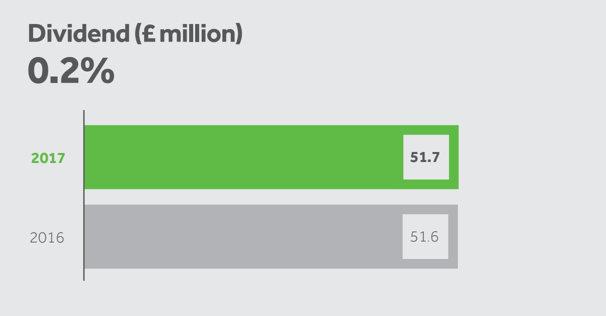
The table below shows the percentage change in the annual cash remuneration of the CEO (comprising base salary, the value of taxable benefits and earned annual bonus), as disclosed in the single figure for total remuneration (table on page 63) from the prior year compared with the average percentage change for the members of our global management team (GMT). 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 (254 managers) have been included in this calculation.

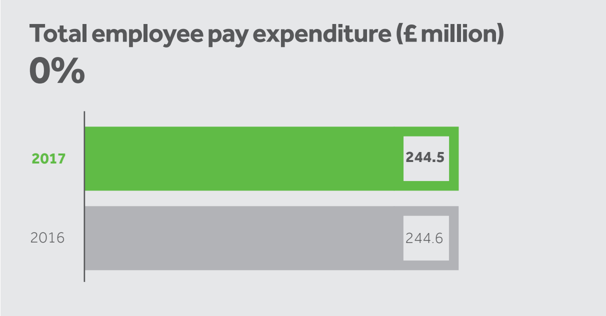
	CEO	Global management team
	% change 2016 – 2017	% change 2016 – 2017
Base salary[1]	2.3	4.6
Taxable benefits[2]	26.0	(0.6)
Annual bonus[3]	256.0	1,735.5

1. A salary increase averaging 3.05% across the Group was awarded at the annual pay review, effective 1 June 2017.
2. Taxable benefits for Lindsley Ruth excludes the one-off relocation allowance of £107,690 received during the year ended 31 March 2016. The underlying increase in ongoing annual taxable benefits (excluding this relocation allowance) was 26%. The slight drop in the value of taxable benefits for the GMT is due to a decrease in the Private Medical insurance cost in the UK.
3. The differences in percentage change in the CEO's annual bonus compared with that of other senior employees reflect design differences. The large change in the bonus for both the CEO and other senior employees is the result of extremely strong business performance in the financial year to 31 March 2017 compared with the financial year to 31 March 2016.

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 7 on page 93.

Directors' Remuneration Report
Annual Report on Remuneration

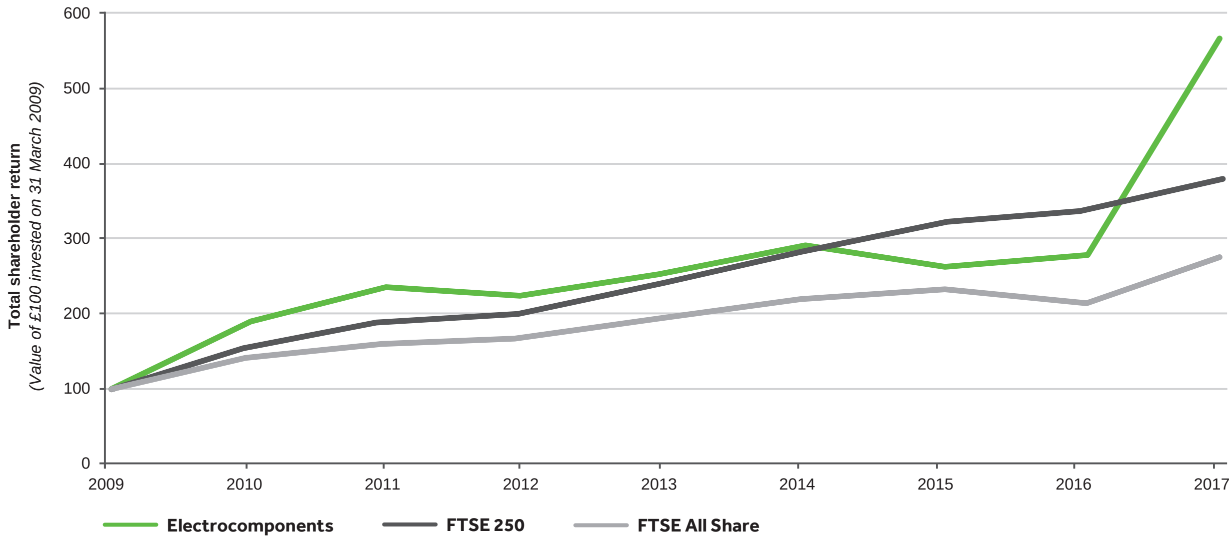
Performance graph and table

The following graph shows the eight-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 2017



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	**Year ended 31 March 2017**
	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Lindsley Ruth	**Lindsley Ruth**
CEO total remuneration	£1,472	£1,862	£1,176	£1,223	£1,287	£891	£2,072[1]	**£1,401**
Annual bonus award (as a % of maximum opportunity)	74.1%	100.0%	28.2%	3.7%	89.1%	16.9%	23.8%	**82.5%**
LTIP vesting (as a % of maximum opportunity)	21.4%	50.0%	20.5%	55.5%	0%	0%	N/A	**N/A**

1. CEO total remuneration for the year ended 31 March 2016 included 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 63.

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 2017. For Rupert Soames, this information is given to 20 July 2016, 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	20,000	200%	17.2%	No	513,784	858,147	25,020	15,706
David Egan	70,000	100%	87.9%	No	–	276,157	1,483	13,100
Bertrand Bodson	10,000							
Louisa Burdett	–							
Karen Guerra	21,251							
Paul Hollingworth	10,000							
Peter Johnson	159,400							
John Pattullo	16,344							
Simon Pryce	–							
Rupert Soames	15,024							

The value of the shares used to calculate whether the shareholding guideline is met is 483.45p, being the average share price over the three months to 31 March 2017. Between the year end and the date of this report, there has been no movement in Directors' shareholdings. Details of the scheme interests contained in columns A–D are provided in the tables below and on page 65.

Directors' share scheme interests (audited)

Share awards

	Notes	Scheme	Date of Award	Shares awarded at 1 April 2016	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded at 31 March 2017	Normal vesting date
Lindsley Ruth	1	LTIP	1-Jul-15	384,735	–	–	–	384,735	1-Jul-18[2]
			20-Jul-16	–	473,412	–	–	473,412	20-Jul-19[2]
	3	DSBP	17-Jun-16	–	25,020	–	–	25,020	17-Jun-18
	4	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**	**498,432**	**–**	**–**	**1,396,951**	
David Egan	1	LTIP	20-Jul-16	–	276,157	–	–	276,157	20-Jul-19[2]
	3	DSBP	17-Jun-16	–	1,483	–	–	1,483	17-Jun-19
			Total	**–**	**277,640**	**–**	**–**	**277,640**	

1. All awards made to the Executive Directors under the LTIP are subject to the performance conditions set out on page 62.
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. DSBP awards are subject to the terms set out on page 64.
4. The recruitment award is subject to the conditions set out on page 63.

Directors' Remuneration Report
Annual Report on Remuneration

Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	**Shares under option 31 March 2017**
Lindsley Ruth	SAYE	24-Jun-15	01-Sep-20	28-Feb-21	191.00p	15,706	–	–	–	15,706
					Total	**15,706**	–	–	–	**15,706**
David Egan	SAYE	22-Jun-16	01-Sep-21	28-Feb-22	229.00p	–	13,100	–	–	13,100
					Total	**–**	**13,100**	–	**–**	**13,100**

Remuneration Committee

The Remuneration Committee 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)
- Louisa Burdett (from 1 February 2017)
- Bertrand Bodson
- Karen Guerra
- Paul Hollingworth
- Simon Pryce (from 26 September 2016)
- Rupert Soames (up to 20 July 2016)

Details of the skills and experience of the Committee members are given in their biographies on pages 34 to 36. 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 are available in the corporate governance section of our website and attendance by individual Committee members at meetings is detailed in the Corporate Governance Report on page 45.

Advisers

Deloitte LLP have provided independent advice to the Committee since 2015. 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 year Deloitte 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
- Support in drafting the Directors' Remuneration Reports for the years ended 31 March 2016 and 2017
- An update to the Committee on regulatory changes and the investor environment

Deloitte provides advice to the Company regarding globally mobile employees, but the Committee does not consider that this jeopardises Deloitte's independence, which operates in line with the Code described above. Deloitte's fees for the provision of services to the Committee during the year were £39,700.

Directors' service contracts

Non-Executive Directors have letters of engagement which set out their duties and time commitment expected. They are appointed for an initial three-year term, subject to election and annual re-election by Shareholders. Appointments are renewable for subsequent three year terms by mutual consent. Details are set out below:

		Length of service as at 31 March 2017	
Name	Date of appointment	Years	Months
Peter Johnson	01/10/2010	6	6
Bertrand Bodson	01/06/2015	1	10
Louisa Burdett	01/02/2017	0	2
Karen Guerra	01/01/2013	4	3
Paul Hollingworth	01/05/2008	8	11
John Pattullo	01/01/2013	4	3
Simon Pryce	26/09/2016	0	6

Executive Directors' service contracts contain a 12-month notice period as set out in the Directors' Remuneration Policy. The date of appointment to the Board for Ruth Lindsley was 1 April 2015 and for David Egan was 1 March 2016.

Summary of shareholder voting at the 2016 AGM

Summarised below are the results at the 2016 AGM of the vote on the Annual Report on Remuneration:

Vote on Directors' Remuneration Policy	Total number of votes	% of votes cast
For (including discretionary)	386,390,524	98.77%
Against	4,831,191	1.23%
Total votes cast (excluding withheld votes)	391,221,715	100%
Votes withheld	2,095,652	
Total votes (including withheld votes)	393,317,367	

Vote on Annual Report on Remuneration	Total number of votes	% of votes cast
For (including discretionary)	386,212,786	98.31%
Against	6,633,605	1.69%
Total votes cast (excluding withheld votes)	392,846,391	100%
Votes withheld	470,976	
Total votes (including withheld votes)	393,317,367	

The Committee welcomes the support received from shareholders at the 2016 AGM for remuneration at Electrocomponents.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 financial statements, Article 4 of the IAS Regulation.

The directors 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, 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 directors, whose names and functions are listed on pages 34 to 36 confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Strategic 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 it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

By order of the Board

Lindsley Ruth
Chief Executive Officer

David Egan
Group Finance Director

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 2017 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 and Accounts (the "Annual Report"), comprise:

- the Group Balance Sheet as at 31 March 2017;
- the Company Balance Sheet as at 31 March 2017;
- 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 financial statements, which include a summary of significant accounting policies and other explanatory information.

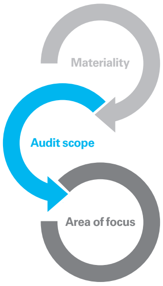
Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Independent Auditor's Report to the members of Electrocomponents plc

Our audit approach

Overview



- Overall group materiality: £6.4 million which represents 5% of group profit before tax adjusted for exceptional items.

- We identified 7 reporting units which, in our view, required a full scope audit based on their size or risk.
- We used component teams in 6 countries to perform full scope audits, with the Group team performing the remainder.
- The Group consolidation, financial statement disclosures and a number of complex items, (including tax, stock provisioning and treasury) prepared by the head office finance function, were audited by the Group engagement team.
- The Group engagement team visited the 2 financially significant component audit teams (being UK and US) to discuss the audit approach and findings with those local teams. For those countries not visited we maintained regular contact with the local team and evaluated the outcome of their audit work.
- The components that are part of our audit scope as set out above account for 79% of group revenues and 87% of group profit before tax and exceptional items.

We focussed on the following areas:

- Inventory obsolescence provision.
- Hedging and activities relating to guaranteed rates.
- Tax provisioning.
- Revenue cut off.

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 50 (Audit Committee Report), page 110 (Note 18 Inventories) and page 86 (Note 1).* The balance of gross inventories at 31 March 2017 was £333.3 million, against which a provision of £29.5 million was held. The valuation of the inventory provision 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 product life cycles, the value recoverable from any excess stock, 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 updated our 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 assessed 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. We found the assumptions to be reasonable. We also assessed the reasonableness of the product life cycles by comparing these against historic life cycles of similar products. We noted no material exceptions. 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.
Hedging and financing activities *Refer to page 86 (Note 1) and page 113 (Note 22 Financial Instruments).* The Group uses derivative financial instruments to hedge currency exposures on centralised inventory procurement and associated future cash flows in accordance with parameters approved by the Board. The net fair value of forward foreign exchange contracts was an asset of £0.5 million. The Group provides guaranteed foreign exchange rates to its subsidiaries through entering into external derivatives. These rates are then used to record external and intercompany inventory purchases. Group management assesses the overall hedged exposures and the effectiveness relative to the actual hedged rates. 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.	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 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 consider the hedge documentation and associated accounting treatment to be appropriate. We also considered the appropriateness of the disclosure of financial instruments and the related hedge accounting by agreeing the financial statement disclosures to the underlying workings prepared by management and checking classification is consistent with the accounting principles.

Independent Auditor's Report to the members of Electrocomponents plc

Area of focus	How our audit addressed the area of focus
Tax provisioning *Refer to page 86 (Note 1) and page 101 (Note 10 Income tax expense).* Due to the Group operating across a number of different tax jurisdictions it is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. These challenges include transaction related tax matters, financing and transfer pricing arrangements arising from centralised functions that drive value across a number of different countries. In addition there has been a change in the Group's transfer pricing operating model following the reorganisation. The Group continues to provide for uncertain tax positions in respect of transfer pricing and other matters. The provision is based on the estimates of the potential outcome of audits by tax authorities in jurisdictions in which the Group operates and totals £3.6m.	We updated our detailed understanding of the Group's tax strategy and Group transfer pricing policy, particularly in relation to reorganisation changes which were implemented during the year. Management commissioned a study by the Group's external advisers to specifically consider the impact in respect of transfer pricing. We obtained and read this study and noted it to be consistent with the conclusions reached by our own transfer pricing specialists. We assessed key technical tax issues and risks related to business and legislative developments using, where applicable, our local and international tax specialists in key jurisdictions to assess the reasonableness of provisions held in the context of local tax law. We also considered any new developments in the application of these laws based on our knowledge of tax legislation and the current position adopted by tax authorities on similar matters. We further performed analysis on the provisions to assess the risk that challenge on transfer pricing could arise from opposing territories. We 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 found management's position to be supportable. We also evaluated whether the liabilities and potential exposures were appropriately disclosed in the Financial Statements.
Revenue cut off *Refer to page 89 (Note 3).* The group's accounting systems recognise revenue at the point that goods are dispatched. This reflects the fact that the terms and conditions are such that the risks and rewards have passed to the customer or that the majority of goods have a guaranteed next day delivery and so the year on year impact is not material. Our work identified that the shipping terms are different across the Group and therefore the risks and rewards do not always pass to the customer on despatch. This was therefore an area of focus in our audit.	We have assessed differences between the date of revenue recognition and the transfer of risks and rewards through understanding the terms of shipment and the associated lead times for delivery to the customer. We tested a sample of revenue transactions during the period and around the year end, and also considered the value and nature of the transactions at the prior year end. Based on our audit procedures 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 each of the Group's country reporting units. These functions maintain their own accounting records and controls (although transactional processing and certain controls for some reporting units are performed at the Group's European shared service centre) and report to the head office 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 the financially significant component teams (UK and US) to meet with local management, obtain an understanding of the local environment and any audit risks arising. For those countries not visited we had regular communication with the local teams, before, during and after their audit. We directed the work of component teams, reviewed their approach and findings, 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 87% of group profit before tax and exceptional items.

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	£6.4 million (2016: £3.6 million).
How we determined it	5% of group profit before tax adjusted for exceptional items.
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 exceptional items 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.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.4 million and £4.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.28 million (2016: £0.18 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 25, 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.

Independent Auditor's Report to the members of Electrocomponents plc

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, based on the work undertaken in the course of the audit:

- 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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Corporate Governance Statement set out on pages 42 to 47 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Corporate Governance Statement set out on pages 42 to 47 with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

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 72, 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 48, 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 25 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 25 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.

Independent Auditor's Report to the members of Electrocomponents plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 72, 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 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.

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 management's 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
23 May 2017

Group Income Statement
For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Revenue	3,4	1,511.7	1,291.1
Cost of sales		(855.0)	(740.0)
Gross profit		656.7	551.1
Distribution and marketing expenses		(491.0)	(440.0)
Central costs		(33.4)	(71.0)
Operating profit		132.3	40.1
Financial income	3	4.3	2.3
Financial expense	3	(9.5)	(7.5)
Profit before tax	3,4,5	127.1	34.9
Income tax expense	10	(35.0)	(13.0)
Profit for the year attributable to the equity shareholders of the Parent Company		92.1	21.9
Earnings per share			
Basic	12	20.9p	5.0p
Diluted	12	20.8p	5.0p
Dividends			
Amounts recognised in the period:			
Final dividend for the year ended 31 March 2016	11	6.75p	6.75p
Interim dividend for the year ended 31 March 2017	11	5.00p	5.00p

A final dividend of 7.3p per share relating to the year has been proposed since the year end.

The notes on pages 86 to 127 form part of these Group accounts.

	Notes	2017 £m	2016 £m
Headline operating profit			
Operating profit		132.3	40.1
Intangible fixed asset write-down	6	–	11.2
Reorganisation costs	6	0.9	30.7
		133.2	82.0
Headline profit before tax			
Profit before tax		127.1	34.9
Intangible fixed asset write-down	6	–	11.2
Reorganisation costs	6	0.9	30.7
		128.0	76.8
Headline earnings per share			
Basic	12	21.0p	12.6p
Diluted	12	20.9p	12.6p

Group Balance Sheet

As at 31 March 2017

Company number: 647788

	Notes	2017 £m	As restated* 2016 £m	As restated* 2015 £m
Non-current assets				
Intangible assets	13	260.3	241.3	248.1
Property, plant and equipment	14	96.9	96.0	100.8
Investments	16	1.0	0.7	0.6
Other receivables	19	4.7	2.1	3.7
Other financial assets	22	2.2	11.2	13.8
Deferred tax assets	23	22.5	9.3	11.8
Non-current assets held for sale	14	–	5.1	–
		387.6	365.7	378.8
Current assets				
Inventories	18	303.8	269.4	285.1
Trade and other receivables	19	277.9	231.9	218.7
Other financial assets	22	16.8	–	–
Income tax receivables		0.4	0.8	2.2
Cash and short-term deposits	27	76.7	351.5	316.9
		675.6	853.6	822.9
Current liabilities				
Trade and other payables	20	(256.9)	(201.9)	(204.3)
Provisions and other liabilities	6	(0.8)	(9.5)	(0.7)
Loans and borrowings	21	(123.4)	(343.2)	(355.4)
Income tax liabilities		(9.1)	(2.4)	(7.9)
		(390.2)	(557.0)	(568.3)
Net current assets		285.4	296.6	254.6
Total assets less current liabilities		673.0	662.3	633.4
Non-current liabilities				
Other payables	20	(13.4)	(7.7)	(7.9)
Retirement benefit obligations	9	(104.6)	(43.3)	(60.4)
Loans and borrowings	21	(85.2)	(184.6)	(127.9)
Other financial liabilities	22	–	–	(0.1)
Deferred tax liabilities	23	(80.8)	(70.9)	(68.8)
		(284.0)	(306.5)	(265.1)
Net assets		389.0	355.8	368.3
Equity				
Called-up share capital	26	44.2	44.1	44.0
Share premium account		44.5	43.5	41.9
Retained earnings		231.6	242.9	258.3
Cumulative translation reserve		70.4	33.8	23.4
Other reserves		(1.7)	(8.5)	0.7
Equity attributable to the equity shareholders of the Parent Company		389.0	355.8	368.3

* Restated for the change in accounting policy relating to the presentation of cash pool balances. See note 1 on page 87.

These financial statements on pages 81 to 127 were approved and authorised for issue by the Board of Directors on 23 May 2017 and signed on its behalf by:

David Egan

Group Finance Director

The notes on pages 86 to 127 form part of these Group accounts.

Group Cash Flow Statement

For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit before tax	3,4,5	127.1	34.9
Depreciation and other amortisation		29.2	29.6
Loss on disposal of non-current assets		0.9	15.6
Equity-settled transactions		3.7	2.9
Finance income and expense		5.2	5.2
Non-cash movement on investment in associate		(0.3)	(0.1)
Operating cash flow before changes in working capital, interest and taxes		165.8	88.1
(Increase) Decrease in inventories		(17.3)	22.1
(Increase) in trade and other receivables		(29.2)	(6.6)
Increase (Decrease) in trade and other payables		50.1	(10.8)
(Decrease) Increase in provisions	6	(9.3)	8.1
Cash generated from operations		160.1	100.9
Interest received		4.4	2.3
Interest paid		(9.3)	(7.5)
Income tax paid		(27.5)	(20.2)
Net cash from operating activities		127.7	75.5
Cash flows from investing activities			
Capital expenditure		(19.0)	(28.9)
Proceeds from sale of property, plant and equipment		3.9	–
Net cash used in investing activities		(15.1)	(28.9)
Free cash flow		112.6	46.6
Cash flows from financing activities			
Proceeds from the issue of share capital		1.1	1.7
Purchase of own shares		(1.3)	(2.3)
Loans drawn down		–	63.6
Loans repaid		(47.6)	(54.5)
Equity dividends paid	11	(51.7)	(51.6)
Net cash used in financing activities		(99.5)	(43.1)
Net increase in cash and cash equivalents		13.1	3.5
Cash and cash equivalents at the beginning of the year		8.3	5.5
Effect of exchange rate fluctuation on cash		–	(0.7)
Cash and cash equivalents at the end of the year	27	21.4	8.3

The notes on pages 86 to 127 form part of these Group accounts.

Headline free cash flow			
Free cash flow	27	112.6	46.6
Reorganisation cash flow	6	5.1	16.0
		117.7	62.6

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Profit for the year		92.1	21.9
Other comprehensive income			
Items that are not reclassified subsequently to the income statement			
Remeasurement of pension deficit	9	(65.7)	16.3
Taxation relating to remeasurement of pension deficit		11.2	(4.6)
Items that are reclassified subsequently to the income statement			
Foreign exchange translation differences		36.6	10.4
Net gain (loss) on cash flow hedges (see note 22)		5.1	(6.4)
Taxation relating to components of other comprehensive income		1.0	(0.7)
Other comprehensive (expense) income for the year		(11.8)	15.0
Total comprehensive income for the year		80.3	36.9

The notes on pages 86 to 127 form part of these Group accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

			Other reserves				
	Share capital £m	Share premium £m	Hedging reserve £m	Own shares held £m	Cumulative translation £m	Retained earnings £m	Total £m
At 1 April 2016	44.1	43.5	(5.5)	(3.0)	33.8	242.9	355.8
Profit for the year	–	–	–	–	–	92.1	92.1
Foreign exchange translation differences	–	–	–	–	36.6	–	36.6
Remeasurement of pension deficit	–	–	–	–	–	(65.7)	(65.7)
Net gain on cash flow hedges (see note 22)	–	–	5.1	–	–	–	5.1
Taxation relating to components of other comprehensive income	–	–	1.0	–	–	11.2	12.2
Total comprehensive income	–	–	6.1	–	36.6	37.6	80.3
Equity-settled transactions	–	–	–	–	–	3.7	3.7
Dividends paid	–	–	–	–	–	(51.7)	(51.7)
Shares allotted in respect of share awards	0.1	1.0	–	2.0	–	(2.0)	1.1
Own shares acquired	–	–	–	(1.3)	–	–	(1.3)
Related tax movements	–	–	–	–	–	1.1	1.1
At 31 March 2017	44.2	44.5	0.6	(2.3)	70.4	231.6	389.0

			Other reserves				
	Share capital £m	Share premium £m	Hedging reserve £m	Own shares held £m	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 (see note 22)	–	–	(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

The notes on pages 86 to 127 form part of these Group accounts.

Notes to the Group Accounts

1 Basis of preparation

Basis of consolidation

Electrocomponents plc (the Company) is a public limited company registered in England and Wales and listed on the London Stock Exchange. The Group Accounts for the year ended 31 March 2017 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) and with the Companies Act 2006 applicable to companies reporting under IFRS. The Company Accounts continue to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS 102), and details of the Company Accounts, notes to the accounts and principal accounting policies are set out on pages 128 to 142.

The accounts were authorised for issue by the Directors on 23 May 2017.

Basis of preparation

The accounts are presented in £ sterling, which is the functional currency of the Company, and rounded to £0.1 million. The financial statements have been prepared under the historical cost convention, with the exception of defined benefit pension schemes and financial assets and liabilities including derivative financial instruments, which are held at fair value. The principal accounting policies have been consistently applied unless otherwise stated.

The Group meets its day-to-day working capital requirements through its bank facilities as detailed in note 22. The Group's detailed forecasts and projections for the foreseeable future, together with its strong balance sheet show that the Group should be able to continue to operate within the level of its current facilities. After making reasonable enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing this report. Therefore the Group continues to adopt the going concern basis, (as referred to in the Strategic Report on page 25), and prepares its accounts 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 estimates made in the accounts for the year ended 31 March 2017 were in relation to pensions (note 9), goodwill (note 13), inventories (note 18), taxation (note 10 and note 23) and hedging and financing activities (note 21 and 22). Further details on the application of these estimates 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.

1 Basis of preparation continued

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.

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

IFRS 9 Financial Instruments is effective for accounting periods beginning on or after 1 January 2018 and replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, impairment on financial assets and new general hedge accounting requirements. The Group has completed an initial impact assessment of IFRS 9 and has noted that under the new standard the assessment of impairment of the Group's trade receivables will change from an incurred loss model to an expected loss model. The impact of this change is still being assessed. In addition, the Group intends to review the effectiveness and documentation of its hedging arrangements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is effective for accounting periods beginning on or after 1 January 2018 and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Based on an initial assessment of the adoption of IFRS 15, the Group does not believe it to be likely that there will be a significant impact on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. There will be changes to the Group's net assets due to bringing the right of use asset relating to operating leases onto the balance sheet, and to the Group's profit before tax as a result of the change in the treatment of the interest implicit in the lease and associated depreciation rather than the straight line recognition of operating lease costs as they are currently recognised. The quantification of these changes and other effects on the Group is currently 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)

In April 2016, the IFRS Interpretations Committee (IFRS IC) issued an agenda decision regarding the treatment of offsetting and cash pooling arrangements in accordance with IAS 32: Financial Instruments: Presentation. This provided additional guidance on when bank overdrafts in cash pooling arrangements would meet the requirements for offsetting in accordance with IAS 32.

Following this additional guidance, the Group has reviewed its cash pooling arrangements and has revised its presentation of cash and short-term deposits and bank overdrafts on the Group balance sheet. Comparatives at 31 March 2016 and 31 March 2015 have been grossed up by £317.0 million and £277.9 million respectively.

Notes to the Group Accounts continued

1 Basis of preparation continued

Presentational changes

The Group has re-presented costs relating to the write-down of inventory to net realisable value from distribution and marketing expenses to costs of sales. In addition, the Group has allocated a proportion of the Group's annual incentive charge across its operating segments. The Directors believe that the revised presentation of these costs provides a better understanding of the Group's gross profit, gross margin and segment result. The table below shows the impact of these presentational changes on the comparative results for the year ended 31 March 2016.

Group income statement	As previously reported 2016 £m	Inventory write-down 2016 £m	Annual incentive 2016 £m	As re-presented 2016 £m
Revenue	1,291.1	–	–	1,291.1
Cost of sales	(729.6)	(10.4)	–	(740.0)
Gross profit	561.5	(10.4)	–	551.1
Distribution and marketing expenses	(449.5)	10.4	(0.9)	(440.0)
Central costs	(71.9)	–	0.9	(71.0)
Operating profit	40.1	–	–	40.1
Gross margin	43.5%	(0.8) pts	–	42.7%

2 Alternative Performance Measures (APMs)

The Company uses a number of APMs, including headline performance measures, in addition to those reported in accordance with IFRS. Such APMs 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 IFRS measures of profit or cash flow.

Headline performance measures are adjusted to take into account items that have a significant impact on the Group's results by virtue of their size, nature or occurrence, including but not limited to: reorganisation costs, one off pension credits or costs, asset write-downs and associated income tax.

The Directors believe that these APMs, listed below, are important when assessing the underlying financial and operating performance of the Group. These measures are also used for internal reporting purposes and employee incentive arrangements.

Underlying performance

Underlying performance measures are adjusted to exclude the effects of changes in exchange rates on translation of overseas operating results to pounds sterling.

Underlying revenue growth

Underlying revenue growth is growth in revenue adjusted to eliminate the impact of changes in exchange rates and trading days year-on-year.

Headline performance

Headline performance measures include headline operating profit, headline profit before tax, headline tax charge, headline profit for the year attributable to equity shareholders and headline earnings per share. These headline performance measures are adjusted to take account of reorganisation costs, one-off pension income or costs, asset write-downs and associated income tax.

Headline operating profit margin

Headline operating profit margin is headline operating profit expressed as a percentage of revenue.

Headline operating profit conversion

Headline operating profit conversion is headline operating profit expressed as a percentage of gross profit.

Headline cash generated from operations

Headline cash generated from operations is cash generated from operations as reported in the Group cash flow statement adjusted for the impact of reorganisation cash flows.

Headline net cash from operating activities

Headline net cash from operating activities is net cash from operating activities as reported in the Group cash flow statement adjusted for the impact of reorganisation cash flows.

2 Alternative Performance Measures (APMs) continued

Free cash flow

Free cash flow is defined as the net increase or decrease in cash and cash equivalents before net cash used in financing activities.

Headline free cash flow

Headline free cash flow is defined as free cash flow, as defined above, adjusted for the impact of reorganisation cash flows.

Headline operating cash flow conversion

Headline operating cash flow conversion is headline free cash flow, pre-taxation and interest, expressed as a percentage of headline operating profit.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA is calculated as the total of operating profit excluding depreciation and other amortisation charges.

Net debt

Net debt comprises the net total of cash and short-term deposits, bank overdrafts, finance lease liabilities, current and non-current interest-bearing borrowings, and the fair value of swaps that are hedging fixed rate borrowings.

Net debt to EBITDA

Net debt to EBITDA is the ratio of net debt to EBITDA, excluding reorganisation costs, for the preceding 12 month period.

Return on capital employed (ROCE)

ROCE is calculated as headline operating profit expressed as a percentage of net assets excluding net debt and net retirement benefit obligations.

3 Analysis of income and expenditure

Revenue

Revenue from the sale of goods is recognised in the income statement 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.

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. As at 31 March 2017 the Group had £2.5 million (2016: £1.7 million) of vendor rebates recognised within trade and other receivables on the balance sheet.

Operating expense classification

Cost of sales comprises the cost of goods delivered to customers and the write-down of inventory to net realisable value.

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 selling, marketing and distribution of the Group’s products.

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

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, 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 method. The interest expenses component of finance lease payments is recognised in the income statement using the effective interest rate method. Other interest payable includes interest charges on the unhedged portion of the Private Placement loan notes.

Borrowing costs are capitalised and written off in the income statement over the life of the loan to which they relate.

Notes to the Group Accounts continued

3 Analysis of income and expenditure continued

Reconciliation of segmental reporting to the income statement

This analysis reconciles the income statement presentation to the segmental reporting shown in note 4.

	2017 £m	2016 £m
Revenue	**1,511.7**	1,291.1
Cost of sales	**(855.0)**	(740.0)
Gross Profit	**656.7**	551.1
Distribution and marketing expenses	**(491.0)**	(440.0)
Headline contribution	**165.7**	111.1
Central costs (excluding reorganisation costs)	**(32.5)**	(29.1)
Reorganisation costs	**(0.9)**	(41.9)
Net finance costs	**(5.2)**	(5.2)
Profit before tax	**127.1**	34.9

4 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 Executive Management Team, including the Chief Executive Officer, who is considered to be the chief operating decision maker.

The Group's operating segments are 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 comprises 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 the 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, the Philippines, Thailand, Taiwan, the People's Republic of China, South Korea, Chile and 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 electronic 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.

	2017 £m	2016 £m
Revenue from external customers		
Northern Europe	**413.1**	384.2
Southern Europe	**301.9**	250.4
Central Europe	**206.6**	173.4
Europe	**921.6**	808.0
APAC and Emerging Markets	**197.1**	163.2
North America	**393.0**	319.9
Group	**1,511.7**	1,291.1

4 Segmental reporting continued

	2017 £m	2016 £m
Headline contribution		
Northern Europe	79.5	67.9
Southern Europe	36.1	23.0
Central Europe	14.3	6.2
Europe	129.9	97.1
APAC and Emerging Markets	(10.4)	(22.2)
North America	46.2	36.2
Group	165.7	111.1

	2017 £m	2016 £m
Reconciliation of headline contribution to profit before tax		
Headline contribution	165.7	111.1
Net reorganisation costs	(0.9)	(41.9)
Central costs (excluding reorganisation costs)	(32.5)	(29.1)
Net financial expense	(5.2)	(5.2)
Profit before tax	127.1	34.9

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.

	2017 £m	2016 £m
Capital expenditure		
Northern Europe	14.2	23.6
Southern Europe	0.3	0.4
Central Europe	0.3	0.3
Europe	14.8	24.3
APAC and Emerging Markets	0.4	0.4
North America	3.1	3.2
Group	18.3	27.9

	2017 £m	2016 £m
Depreciation and amortisation		
Northern Europe	21.9	22.5
Southern Europe	1.0	0.9
Central Europe	0.8	0.9
Europe	23.7	24.3
APAC and Emerging Markets	0.6	0.9
North America	4.9	4.4
Group	29.2	29.6

The intangible assets and property, plant and equipment of the Group are reported within the geographic region to 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.

Notes to the Group Accounts continued

4 Segmental reporting continued

The Group derives its revenue from two product categories:

	2017 £m	2016 £m
Industrial	954.8	821.8
Electronics	556.9	469.3
Group	1,511.7	1,291.1

Industrial products include Automation and Control, Tools and Consumables and Test and Measurement. Electronic products include Interconnect, Passives and Electromechanical, Semiconductors and Single Board Computers.

Following a product review in 2017, certain products have been reclassified from industrial to electronics. The comparative information has been re-presented.

	External revenue		Non-current assets	
Geographical analysis:	2017 £m	2016 £m	2017 £m	2016 £m
USA	393.0	319.9	238.6	210.1
UK	364.2	344.9	78.3	84.1
France	191.6	159.0	10.0	10.0
Germany	124.1	103.7	1.1	1.2
Italy	72.6	61.0	0.2	0.2
Rest of world	366.2	302.6	34.7	39.6
	1,511.7	1,291.1	362.9	345.2

External revenue disclosed in the table above is based upon the geographical location of the operation. Non-current assets exclude other financial assets and deferred tax assets.

5 Profit before tax

	2017 £m	2016 £m
Profit before tax is stated after charging (crediting):		
Fees payable to the Company's Auditor for the audit of the Parent Company and Group accounts	0.1	0.1
Fees payable to the Company's Auditor and its associates for other services:		
Audit-related assurance services	0.1	0.1
The audit of the Company's subsidiaries, pursuant to legislation	0.9	0.7
Depreciation of tangible assets	10.5	10.8
Amortisation of intangible assets	18.7	18.8
Amortisation of government grants	(0.1)	(0.1)
(Gain) loss on foreign exchange	(8.3)	4.9
Loss on disposal of intangible assets	1.6	15.1
(Profit) loss on disposal of property, plant and equipment	(0.7)	0.5
Hire of plant and machinery	7.1	7.9

6 Reorganisation costs

Reorganisation costs arising during the year were as follows:

	2017 £m	2016 £m
Labour restructuring charge	(2.1)	(23.0)
Profit on disposal of warehouse	1.2	–
Cost of exiting facilities	–	(3.9)
Website write-downs	–	(11.2)
Other write-downs	–	(3.8)
Total reorganisation costs	(0.9)	(41.9)

During the year, the Group undertook further restructuring activities across Europe in order to centralise and consolidate standard processes resulting in costs of £2.1 million. During the year, £1.3 million was paid and £0.8 million is held within provisions due in less than one year.

The sale of the warehouse and associated land in Singapore was completed during the year resulting in an exceptional profit on disposal of £1.2 million and a one-off cash inflow of £6.3 million. The proceeds were split between fixed assets (£3.8 million) and long term debtors (£2.5 million).

During the year ended 31 March 2016, 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 was held within the provisions due in less than one year.

7 Employees

Numbers employed	2017	2016
The average number of employees during the year was:		
Management and administration	690	728
Distribution and marketing	5,079	5,296
	5,769	6,024

Aggregate employment costs	2017 £m	2016 £m
Wages and salaries	194.5	178.5
Social security costs	21.8	21.0
Share-based payments	9.5	3.0
Defined contribution pension costs	11.0	11.5
Defined benefit pension costs	5.6	8.3
	242.4	222.3
Labour exit costs	2.1	22.3
	244.5	244.6

Notes to the Group Accounts continued

7 Employees continued

Directors' emoluments

Aggregate emoluments	2017 £000 Highest paid director	2017 £000 Other directors	2016 £000 Highest paid director	2016 £000 Other directors
Aggregate emoluments	1,055.7	717.6	702.0	295.7
Termination payments	–	–	–	448.5
Deferred share plans	233.1	158.8	65.5	3.8
Cash supplement in lieu of pension	112.5	77.0	110.0	92.1
	1,401.3	953.4	877.5	840.1

Number of directors	2017	2016
Exercising share options	–	–
Receiving shares as part of long term incentive schemes	2	2

This table reflects the amount paid to directors during the year. Further information is available on directors' remuneration in the Directors' Remuneration Report on pages 56 to 71.

8 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 include the cost of the shared-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 £9.5 million (2016: £3.0 million). Of the total charge £3.7 million (2016: £2.9 million) related to equity-settled share schemes and £5.8 million (2016: £0.1 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 81,179 shares (2016: 58,680 shares) were conditionally awarded to the scheme's participants.

Deferred shares relating to the bonus awards to senior managers for the year ended 31 March 2017 will be awarded in June 2017.

8 Share-based payments continued

Details of conditional awards of shares and cash entitlements outstanding as at 31 March 2017 are set out below:

	Number of shares 2017	Number of shares 2016
Shares	107,693	197,151

Long Term Incentive Plan

The Group has two active LTIP schemes. Under the schemes, 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 depending on the outcome of the performance conditions. The performance conditions of the awards made in July 2014 and July 2015 are based on Total Shareholder Return (TSR) of the Group versus the FTSE250 and growth in Earnings Per Share (EPS) over the vesting period. All subsequent awards have performance conditions that are based on the Group Return on Capital Employed (ROCE), TSR versus a defined comparator group (see page 62 for details) and cumulative EPS over the vesting period. A further award will vest if the Group achieves exceptional EPS performance over the vesting period. The fair value of the equity settled LTIP options was calculated at the grant date using a Monte Carlo model based on the assumptions below.

	LTIP Nov 2016	LTIP Nov 2016	LTIP July 2016	LTIP July 2016	LTIP July 2015	LTIP July 2015
Performance conditions	Market based	Other	Market based	Other	Market based	Other
Options granted	37,500	187,499	297,971	1,616,170	452,815	800,447
Fair value at grant date	162p	285p	123p	442p	112p	214p
Assumptions used:						
Share price	349p	n/a	268p	n/a	239p	n/a
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	36.8%	n/a	34.5%	n/a	33.4%	n/a
Expected option life	2 years 8 months	n/a	3 years	n/a	3 years	n/a
Expected dividend yield	4.35%	n/a	4.94%	n/a	4.95%	n/a
Risk free interest rate	0.26%	n/a	0.25%	n/a	1.07%	n/a

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 employee's continued employment for a three year period and the maintenance of employee's 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 2016	SAYE 5 yr 2016	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
Options granted	821,169	210,045	1,601,296	545,337	1,075,809	390,151	622,275	265,910	1,223,209
Fair value at grant date	65.4p	67.9p	55.8p	52.9p	47.7p	44.9p	52.0p	47.3p	40.2p
Assumptions used									
Share price	285p	285p	239p	239p	264p	264p	256p	256p	201p
Exercise price	229p	229p	191p	191p	227p	227p	214p	214p	164p
Expected volatility	34.5%	36.0%	33.4%	30.9%	31.9%	34.1%	32.0%	36.4%	32.1%
Expected option life	3 years	5 years	3 years	5 years	3 years	5 years	3 years	5 years	3 years
Expected dividend yield	4.94%	5.06%	4.95%	5.18%	4.70%	6.20%	5.00%	7.10%	5.50%
Risk free interest rate	0.25%	0.41%	1.07%	1.58%	0.85%	0.60%	0.58%	0.40%	0.16%

Volatility was estimated based on the historical volatility of the shares over a 3 or 5 year period, as appropriate, up to the date of grant.

8 Share-based payments continued

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

	Weighted Average exercise price 2017	Number of options 2017 (000)	Weighted Average exercise price 2016	Number of options 2016 (000)
Outstanding at the beginning of the year	114p	9,333	100p	10,586
Forfeited during the year	201p	(92)	206p	(141)
Lapsed during the year	54p	(1,658)	47p	(3,925)
Exercised during the year	150p	(1,139)	73p	(2,348)
Granted during the year	75p	4,106	80p	5,161
Outstanding at the end of the year	104p	10,550	114p	9,333
Exercisable at the end of the year	n/a	–	n/a	–

Number of options	2017 (000)	2016 (000)
Option prices		
£nil–£1.00	5,278	4,085
£1.00–£2.00	2,617	2,928
£2.00–£3.00	2,655	2,320
	10,550	9,333

The weighted average share price of share options exercised during the year was 312.6p (2016: 204.5p).

The weighted average remaining contractual life of options outstanding as at 31 March 2017 is 3.1 years (2016: 3.1 years).

Recruitment Award

During the year ended 31 March 2016, 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 2017 are set out below:

	Number of shares 2017	2016
Shares	513,784	513,784

During the year ended 31 March 2016 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.

9 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. Actuarial gains and losses are recorded in the Consolidated Statement of Comprehensive Income. 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 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 6 April 2017 that it has no current intention of exercising its power to wind up the scheme.

Based on the scheme rules IFRIC 14 applies as the Company has assessed it does not have an unconditional right to any surplus that may arise on the schemes. At 31 March 2017, all schemes were in a deficit position so no adjustments under IFRIC 14 have been made. In addition, the Company has not disclosed any further liabilities at 31 March 2017 under the minimum funding requirements as these are lower than the accounting deficit.

Any asset recognised in respect of a surplus arising from this calculation is limited to the asset ceiling, where this is the present value of any economic benefits available in the form of refunds or reductions in future contributions in respect of the plans. Where the Group is considered to have a contractual obligation to fund the pension scheme above the accounting value of the liabilities, an onerous obligation is recognised.

The funding of the UK defined benefit scheme is assessed in accordance with the advice of independent actuaries. The 31 March 2016 triennial funding valuation was finalised, agreed with the Trustees and certified by the Scheme Actuary in September 2016. It reported a funding deficit of £60.8 million. Under the associated recovery plan, Electrocomponents plc have agreed to make shortfall contribution payments of £4.3 million per annum throughout the period to 28 February 2023. For the period up to 28 February 2023, Electrocomponents may also be required to pay an additional shortfall contribution of up to £2.7 million per annum and this payment will be dependent on the Trustees assessment of the Scheme's funding position at the preceding March. The £4.3 million per annum and £2.7 million per annum mentioned above increase at each 1 April (first increase applying on 1 April 2017) in line with Retail Price Index for the year to the preceding December.

Based on the funding position as at 31 March 2017, the Company expects to pay £10.6 million contributions to the UK defined benefit scheme in the period to 31 March 2018, including £7.2 million of shortfall contribution payments.

The defined benefit schemes expose the Group to economic and non-economic 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 net UK pension cost for the year ended 31 March 2017 amounted to £5.3 million (2016: £6.5 million).

The costs of the defined benefit pension scheme in Germany and Republic of Ireland were £0.2 million (2016: £0.1 million), and those via government retirement indemnity schemes in France, Italy, Scandinavia and North Asia were £3.8million (2016: £1.9 million).

The contributions paid by the Group to the defined contribution section of the UK scheme amounted to £4.5 million (2016: £6.9 million). The costs of the defined contribution schemes in Australia, North America, Germany and Republic of Ireland were £2.8 million (2016: £2.1 million).

Notes to the Group Accounts continued

9 Pension schemes continued

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

	2017 UK	2017 Germany	2017 Republic of Ireland	2016 UK	2016 Germany	2016 Republic of Ireland
Discount rate	2.60%	1.90%	1.95%	3.60%	2.30%	2.30%
Rate of increase in pensionable salaries	Nil	2.00%	n/a	Nil	2.00%	n/a
Rate of RPI price inflation	3.10%	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	3.05%	n/a	n/a	2.85%	n/a	n/a
RPI inflation capped at 2.5% p.a	2.20%	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.

The discount rate used to determine the liabilities of the UK defined benefit pension scheme for IAS 19R accounting purposes is required to be determined by reference to market yields on high-quality corporate bonds. The UK discount rate is based on the single equivalent corporate yield obtained by discounting cashflows for a sample scheme with a duration broadly equal to that of our UK defined benefit pension scheme using the Mercer Yield curve model with an extended dataset (which uses corporate bonds which are rated AA by at least one of Moody's and Standard & Poor's). The scheme's liability duration is approximately 21 years.

The assumptions for UK price inflation are set by reference to the single equivalent implied inflation rate obtained by discounting cashflows for a sample scheme with a duration broadly equal to that of our UK defined benefit pension scheme using gilt yield curves less an inflation risk premium of 0.3%.

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

	2017 UK Years	2017 Germany Years	2017 Republic of Ireland Years	2016 UK Years	2016 Germany Years	2016 Republic of Ireland Years
Member aged 65 (current life expectancy) – male	22.7	19.3	21.2	22.5	19.1	21.1
Member aged 65 (current life expectancy) – female	23.9	23.4	23.7	24.2	23.2	23.6
Member aged 45 (life expectancy at aged 65) – male	23.9	22.6	24.2	23.9	22.4	24.1
Member aged 45 (life expectancy at aged 65) – female	26.5	26.5	26.3	26.4	26.3	26.2

The net costs (income) recognised in the income statement were:

	2017 UK £m	2017 Germany £m	2017 Republic of Ireland £m	2017 Total £m	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m
Current service cost	3.6	–	–	3.6	4.5	–	–	4.5
Past service cost	–	–	–	–	–	–	–	–
Interest expense on obligation	16.6	0.2	0.1	16.9	16.1	0.1	0.1	16.3
Interest income on plan assets	(15.7)	–	(0.1)	(15.8)	(14.7)	–	(0.1)	(14.8)
Administrative expenses	0.8	–	–	0.8	0.6	–	–	0.6
Charge for material defined benefit schemes	5.3	0.2	–	5.5	6.5	0.1	–	6.6
Other defined benefit schemes				0.1				1.7
Total income statement charge				5.6				8.3

9 Pension schemes continued

Of the net cost for the year, a charge of £0.5 million (2016: £0.4 million) has been included in central costs and a charge of £6.6 million (2015: £6.2 million) in distribution and marketing expenses. The actual gain on scheme assets was: UK £67.9 million (2016: loss of £4.9 million), Germany £nil (2016: £nil) and Republic of Ireland £0.6 million (2016: loss of £0.4 million).

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

	2017 UK £m	2017 Germany £m	2017 Republic of Ireland £m	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m
Quoted managed funds						
Diversified growth funds	52.7	n/a	n/a	115.0	n/a	n/a
Corporate bonds	n/a	n/a	2.0	42.3	n/a	n/a
Credit funds	45.5	n/a	n/a	14.0	n/a	1.8
Equities	n/a	n/a	4.5	n/a	n/a	3.6
Other managed funds						
Equities	38.4	n/a	n/a	78.3	n/a	n/a
Diversified growth funds	57.7	n/a	n/a	68.6	n/a	n/a
Liquidity funds	n/a	n/a	n/a	0.1	n/a	n/a
Credit funds	202.3	n/a	n/a	n/a	n/a	n/a
Government bonds	n/a	n/a	n/a	54.1	n/a	n/a
Matching plus funds	102.1	n/a	n/a	65.1	n/a	n/a
Cash	1.3	n/a	n/a	0.5	n/a	n/a
Total market value of scheme assets	500.0	–	6.5	438.0	–	5.4

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

The UK defined benefit scheme invests in certain funds that do not have quoted prices available. The fair value of these assets is determined using the price of a recent transaction for identical assets provided there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

The Trustees of the UK Defined Benefit Pension Scheme, in consultation with the Company, have been reviewing the investment strategy of the Scheme with the aim of de-risking the investments over time. During the year, some of the growth assets, including equities and diversified growth funds, have been moved into defensive growth assets, such as credit funds, and matching assets.

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

	2017 UK £m	2017 Germany £m	2017 Republic of Ireland £m	2017 Total £m	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m
Total market value of assets	500.0	–	6.5	506.5	438.0	–	5.5	443.5
Present value of scheme liabilities	(590.9)	(8.8)	(6.9)	(606.6)	(468.4)	(7.5)	(6.1)	(482.0)
Schemes' (deficit)	(90.9)	(8.8)	(0.4)	(100.1)	(30.4)	(7.5)	(0.6)	(38.5)
Other defined benefit schemes				(4.5)				(4.8)
Retirement benefit obligations				(104.6)				(43.3)

At 31 March 2017, the weighted average duration of the defined benefit obligation was 20.7 years (2016: 22.5 years).

Notes to the Group Accounts continued

9 Pension schemes continued

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

	2017 UK £m	2017 Germany £m	2017 Republic of Ireland £m	2017 Total £m	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m
Present value of the defined benefit obligations at the beginning of the year	**468.4**	**7.5**	**6.1**	**482.0**	495.8	7.7	6.7	510.2
Movement in year:								
Current service cost	**3.6**	**–**	**–**	**3.6**	4.5	–	–	4.5
Interest expense	**16.6**	**0.2**	**0.1**	**16.9**	16.1	0.1	0.1	16.3
Insurance premiums for risk benefits	**(0.1)**	**–**	**–**	**(0.1)**	(0.1)	–	–	(0.1)
Effect of changes in demographic assumptions	**1.5**	**–**	**–**	**1.5**	–	–	–	–
Effect of changes in financial assumptions	**121.6**	**0.6**	**0.5**	**122.7**	(34.9)	(1.0)	(1.0)	(36.9)
Effect of experience adjustments	**(5.6)**	**0.1**	**(0.1)**	**(5.6)**	–	0.2	(0.2)	–
Benefits paid	**(15.1)**	**(0.2)**	**(0.1)**	**(15.4)**	(13.0)	(0.1)	(0.1)	(13.2)
Exchange differences	**–**	**0.6**	**0.4**	**1.0**	–	0.6	0.6	1.2
Present value of the defined benefit obligations at the end of the year	**590.9**	**8.8**	**6.9**	**606.6**	468.4	7.5	6.1	482.0

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

	2017 UK £m	2017 Germany £m	2017 Republic of Ireland £m	2017 Total £m	2016 UK £m	2016 Germany £m	2016 Republic of Ireland £m	2016 Total £m
Present value of the fair value of scheme assets at the beginning of the year	**438.0**	**–**	**5.5**	**443.5**	448.6	–	5.3	453.9
Movement in year:								
Interest income	**15.7**	**–**	**0.1**	**15.8**	14.7	–	0.1	14.8
Return on plan assets (excluding interest income)	**52.2**	**–**	**0.5**	**52.7**	(19.6)	–	(0.4)	(20.0)
Contributions by company	**10.1**	**0.2**	**0.1**	**10.4**	8.0	0.1	0.1	8.2
Benefits paid	**(15.1)**	**(0.2)**	**(0.1)**	**(15.4)**	(13.0)	(0.1)	(0.1)	(13.2)
Administrative expenses	**(0.8)**	**–**	**–**	**(0.8)**	(0.6)	–	–	(0.6)
Insurance premiums for risk benefits	**(0.1)**	**–**	**–**	**(0.1)**	(0.1)	–	–	(0.1)
Exchange differences	**–**	**–**	**0.4**	**0.4**	–	–	0.5	0.5
Present value of the fair value of scheme assets at the end of the year	**500.0**	**–**	**6.5**	**506.5**	438.0	–	5.5	443.5

The value of the assets held by external Additional Voluntary Contributions amounted to £0.1 million as at 31 March 2017 (2016: £0.1 million).

The value of the assets held by the defined contribution section of the UK scheme amounted to £55.8 million as at 31 March 2017 (2016: £47.4 million).

9 Pension schemes continued

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 £11.8m
Effect on obligation of a 0.1% decrease to the assumed discount rate	Liabilities increase by £12.2m
Effect on obligation of a 0.1% increase in the assumed inflation rate	Liabilities increase by £9.1m
Effect on obligation of a 0.1% decrease in the assumed inflation rate	Liabilities reduce by £9.5m
Effect on obligation of an assumed increase in one year's life expectancy	Liabilities increase by £18.8m

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

10 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.

Uncertain tax positions

The Group recognises a current tax provision when the Group has a present obligation as a result of a past event, and it is considered probable that there will be a future outflow of funds to a taxing authority. As an international business the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally relate to cross border transfer pricing. The assessment of uncertain tax positions is subjective, and is based on management's interpretation of country specific tax law, on previous experience and on the professional judgement of in-house tax experts supported by external advisers where necessary.

Provisions for uncertain tax positions are included within current tax liabilities. As at 31 March 2017, the total value of these tax provisions was £3.6 million (2016: £2.5 million). It is possible that the amounts paid will be different from the amounts provided.

Deferred tax

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.

Taxation on the profit of the Group	2017 £m	2016 £m
UK corporation tax at 20% (2016: 20%)	12.3	(3.3)
UK deferred taxation	0.3	(1.9)
	12.6	(5.2)
Overseas current taxation	22.7	18.9
Overseas deferred taxation	(0.3)	(0.7)
Total income tax expense in income statement	35.0	13.0

Notes to the Group Accounts continued

10 Income tax expense continued

Total tax expense is reconciled to a notional 20% (2016: 20%) of profit before taxation as follows:

	2017 £m	2016 £m
Expected tax charge	25.4	7.1
Recurring items		
Differences in overseas corporation tax rates	8.2	8.3
Impact of tax losses	0.8	1.9
Items not taxable for tax purposes	(1.8)	(4.3)
Items not deductible for tax purposes	1.3	0.9
Other local taxes suffered overseas	0.4	0.3
Non recurring items		
Movement in tax provision current year	1.9	0.7
Movement in tax provision prior years	(0.8)	(2.5)
(Over) under provision in prior years	(0.4)	0.6
	35.0	13.0

The Group's effective tax rate is favourably impacted by its internal financing arrangements which involved borrowing by its US operations from the UK, the interest on which has the effect of reducing the amount of tax payable. This delivered a benefit of £1.8 million (2016: £2.1 million) in the financial year. This benefit will not recur in future years. The Group's effective tax rate reflects the impact of higher tax rates in overseas jurisdictions where the Group earns profit. Based on current business plans, the mix of profit is not expected to change significantly in the future.

Tax expense (income) recognised directly in other comprehensive income

	2017 £m	2016 £m
Recognised in retained earnings		
Relating to remeasurement of pension deficit	(11.2)	4.6
Recognised in the hedging reserve		
Relating to gain (loss) on cash flow hedges	(1.0)	0.7
	(12.2)	5.3
Tax (income) expense recognised directly in equity		
Relating to equity-settled transactions	(1.1)	0.1

A number of changes to the UK corporation tax system, including reductions of the main rate of corporation tax from 20% to 19% with effect from 1 April 2017, and then from 19% to 18% with effect from 1 April 2020, were substantively enacted on 26 October 2015. A further reduction of the tax rate from 18% to 17% with effect from 1 April 2020 was substantively enacted on 6 September 2016. The Group has measured its UK deferred tax assets and liabilities at the end of the reporting period at 17% (2016:18%). Deferred taxation balances are analysed in note 23.

11 Dividends

	2017 £m	2016 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2016 – 6.75p (2015: 6.75p)	29.7	29.7
Interim dividend for the year ended 31 March 2017 – 5.0p (2016: 5.0p)	22.0	21.9
	51.7	51.6
Proposed dividend for the year ended 31 March 2017 – 7.3p	32.2	

The amount waived by the Trustees of the Employee Benefit Trust in respect of the interim and final dividends was £0.1 million (2016: £0.1 million).The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 20 July 2017 and has not been included as a liability in these accounts.

12 Earnings per share

	2017 £m	2016 £m
Profit for the year attributable to the equity shareholders of the parent company	92.1	21.9
Intangible fixed asset write-down	–	11.2
Reorganisation costs	0.9	30.7
Tax impact of reorganisation costs and asset write-down	(0.4)	(8.4)
Headline profit for the year attributable to the equity shareholders of the parent company	92.6	55.4
Weighted average number of shares	440,383,896	439,389,535
Dilutive effect of share options	3,339,180	882,725
Diluted weighted average number of shares	443,723,076	440,272,260
	Pence	Pence
Basic earnings per share	20.9	5.0
Diluted earnings per share	20.8	5.0
Headline basic earnings per share	21.0	12.6
Headline diluted earnings per share	20.9	12.6

There were no further share options (2016: nil) outstanding as at 31 March 2017 that were anti-dilutive.

13 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.

Notes to the Group Accounts continued

13 Intangible assets continued

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.

Cost	Goodwill £m	Software £m	Other intangibles £m	Total £m
At 1 April 2015	176.5	220.5	0.4	397.4
Additions	–	21.3	–	21.3
Disposals/ write off	–	(22.4)	–	(22.4)
Translation differences	5.5	1.8	–	7.3
At 1 April 2016	**182.0**	**221.2**	**0.4**	**403.6**
Additions	**–**	**11.9**	**–**	**11.9**
Disposals	**–**	**(4.2)**	**–**	**(4.2)**
Translation differences	**26.2**	**3.7**	**–**	**29.9**
At 31 March 2017	**208.2**	**232.6**	**0.4**	**441.2**
Amortisation				
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 1 April 2016	**–**	**161.9**	**0.4**	**162.3**
Charged in the year	**–**	**18.7**	**–**	**18.7**
Disposals	**–**	**(2.5)**	**–**	**(2.5)**
Translation differences	**–**	**2.4**	**–**	**2.4**
At 31 March 2017	**–**	**180.5**	**0.4**	**180.9**
Net book value				
At 31 March 2017	**208.2**	**52.1**	**–**	**260.3**
At 31 March 2016	182.0	59.3	–	241.3
At 31 March 2015	176.5	71.5	0.1	248.1

Of total goodwill of £208.2 million (2016: £182.0 million), £207.7 million (2016: £181.5 million) related to the acquisition of Allied Electronics Inc., the Group's North American hub, in July 1999, and £0.5 million (2016: £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 £4.9 million (2016: £10.4 million).

13 Intangible assets continued

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 2.0% (2016: 1.9%) which is consistent with the prudent 'market estimate' long-term average growth rate for the distribution industry.

A pre-tax discount rate of 12.6% (2016: 12.3%) has been applied in calculating the discounted projected cash flows.

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) at 31 March 2017 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.

14 Property, plant and equipment

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.

14 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 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 1 April 2016	**110.8**	**142.4**	**71.4**	**324.6**
Additions	**0.3**	**4.2**	**1.9**	**6.4**
Disposals	**(1.5)**	**(2.1)**	**(4.3)**	**(7.9)**
Translation differences	**5.7**	**4.1**	**2.3**	**12.1**
At 31 March 2017	**115.3**	**148.6**	**71.3**	**335.2**
Depreciation				
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)
Translation differences	1.4	1.9	0.8	4.1
At 1 April 2016	**43.0**	**121.3**	**64.3**	**228.6**
Charged in the year	**2.4**	**5.0**	**3.1**	**10.5**
Disposals	**(1.8)**	**(1.7)**	**(4.3)**	**(7.8)**
Translation differences	**1.7**	**3.3**	**2.0**	**7.0**
At 31 March 2017	**45.3**	**127.9**	**65.1**	**238.3**
Net book value				
At 31 March 2017	**70.0**	**20.7**	**6.2**	**96.9**
At 31 March 2016	67.8	21.1	7.1	96.0
At 31 March 2015	70.4	23.1	7.3	100.8

Net book value of land and buildings

	2017 £m	2016 £m
Freehold land	**12.7**	12.1
Freehold buildings	**56.2**	55.0
Long leasehold buildings	**0.5**	0.6
Short leasehold buildings	**0.6**	3.1
	70.0	70.8

14 Property, plant and equipment continued

Non-current assets held for sale

In the prior year £5.1 million was shown as non-current assets held for sale on the balance sheet. £3.0 million was the net book value for land and buildings and a further £2.1 million was for debtors due in more than one year. The amount related to the warehouse and associated land in Singapore. The sale completed during the year and resulted in a profit on disposal of £1.2 million (see note 6).

Net book value of plant and machinery

	2017 £m	2016 £m
Plant and machinery	**19.9**	20.5
Other office equipment	**0.7**	0.5
Motor vehicles	**0.1**	0.1
	20.7	21.1

All classes of tangible assets are depreciated except for freehold land.

15 Capital commitments

	2017 £m	2016 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	**–**	–

16 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.

	2017 £m	2016 £m
Jointly controlled entity	**1.0**	0.7

For details of the jointly controlled entity, see note 17 to the Group accounts.

17 Subsidiary undertakings and associated undertakings

Name of undertaking	Country of incorporation	Class of share held
High-service distribution of industrial and electronic products		
*RS Components Pty Limited**	Australia	Ordinary
25 Pavesi St, Smithfield. NSW. 2164 (PO Box 6864, Wetherill Park. NSW. 1851		
*RS Components Handelsges.m.b.H.**	Austria	Share of equity
Albrechtser Straße 11, 3950 Gmünd		
*Allied Electronics (Canada) Inc.**	Canada	Common
199 Bay Street, Suite 5300, Toronto, ON M5L 1B9, Canada		
*RS Componentes Electrónicos Limitada**	Chile	Ordinary
Av. Presidente Eduardo Frei M. 6001-71, Conchali, Santiago, Chile		
*RS Components A/S**	Denmark	Ordinary
Nattergalevej 6 DK-2400 Copenhagen NV, Denmark		
*RS Composants SAS**	France	Ordinary
Rue Norman King, CS 40453, 60031 Beauvais Cedex, France		
*RS Components GmbH**	Germany	Ordinary
Hessring 13b, 64546 Mörfelden-Walldorf, Germany		

Notes to the Group Accounts continued

17 Subsidiary undertakings and associated undertakings continued

Name of undertaking	Country of incorporation	Class of share held
*RS Components Limited**	Hong Kong	Ordinary
Suite 1601, Level 16, Tower 1, Kowtoon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong		
RS Components & Controls (India) Limited†	India	Ordinary
222 Okhla Industrial Estate, New Delhi, India		
*RS Components Srl**	Italy	Ordinary
Via De Vizzi 93/95, 20092 Cinisello Balsamo, I, ITALY - Court Monza 50885		
*RS Components KK**	Japan	Ordinary
134 Yokohama Business Park West Tower 12th Floor, Kobe Town Hodogaya-ku, Yokohama-shi, Kanagawa Prefecture 240-0005		
*RS Components Sdn Bhd**	Malaysia	Ordinary
Suite 7E, Level 7, Menara Ansar 65, Jalan Trus, Johor, 80000 Johor Bahru, Malaysia		
*RS Components BV**	Netherlands	Ordinary
Bingerweg 19 I 2031 HAARLEM AZ		
*RS Components Limited**	New Zealand	Ordinary
Units 30-31, Warehouse World, 761 Great South Road, Penrose, Auckland 1061 NZ		
*RS Components AS**	Norway	Ordinary
Hvamsvingen 24, 2013 Skjetten, Norway		
*RS Components (Shanghai) Company Limited**	People's Republic of China	Common and preference
2F of No. 53 Factory Buidling, No. 311 of Fu Te Road (South), Waigaoqioa Free Trade Zone, Shanghai, China		
RS Components Corporation*	Philippines	Ordinary
21B1 Multinational Bancorporation Centre, 6805 Ayala Avenue, Makati City, Philippines		
*RS Components Sp. Z.o.o.**	Poland	Ordinary
ul. Puławska 303 02-785 Warsaw Poland		
*Radionics Limited**	Republic of Ireland	Ordinary
Glenview Industrial Estate, Herberton Road, Rialto, Dublin 12, Ireland.		
*RS Components Pte Limited**	Singapore	Ordinary
112 Robinson Road, #05-01, Singapore 068902		
RS Components (Proprietary) Limited	South Africa	Ordinary
20 Indianapolis Street, Kyalami Business Park, Kyalami, P.O. Box 12182, Vorna Valley 1686, Midrand, South Africa		
*Amidata SAu**	Spain	Ordinary
Parque Empressarial Urbis Centre, Avenida de Europa 19 - Edificio 3, 28224 - Pozuelo de Alarcón - Madrid, Spain		
*RS Components AB**	Sweden	Ordinary
Fabriksgatan 7, 3v, 412 50 Gothenburg, Sweden		
*RS Components Company Limited**	Thailand	Ordinary
209/1 KKP Tower B, 18th Floor, Unit 1- 2, Sukhumvit 21 Road (Asoke), Klongtoey Nua, Wattana, Bangkok 1011, Thailand		
RS Components Limited	UK	Ordinary
Birchington Road, Weldon, Corby, Northamptonshire, NN17 9RS, UK		
*Allied Electronics Inc.**	United States of America	Common
7151 Jack Newell Blvd. S. Fort Worth, Texas 76118 U.S.A		

17 Subsidiary undertakings and associated undertakings continued

Name of undertaking	Country of incorporation	Class of share held
Holding, Financing and Management Companies		
*Electrocomponents France SARL**	France	Ordinary
Rue Norman King, BF 453, F-60031 Beauvais Cedex, France		
Bodenfeld Immobilien GmbH	Germany	Ordinary
Hessring 13b, D-64546 Mörfelden-Walldorf, Germany		
Electrocomponents Ltd	Hong Kong	Ordinary
Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 5`1 Kwai Cheong Road, Kwai Chung, Hong Kong		
Electrocomponents Jersey Finance Unlimited	Jersey	Common
44 Esplanade, St Helier JE4 9WG Jersey		
Electrocomponents Overseas Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Electrocomponents US Finance Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Electrocomponents UK Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
*RS Components Holdings Limited**	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Electrocomponents North America LLC	United States of America	Ordinary
7151 Jack Newell Blvd Fort Worth, TX 76118, USA		
Electrocomponents (US) Inc	United States of America	Ordinary
7151 Jack Newell Blvd Fort Worth, TX 76118, USA		
Electrocomponents Inc	United States of America	Ordinary
7151 Jack Newell Blvd Fort Worth, TX 76118, USA		
*Electrocomponents North America Inc.**	United States of America	Ordinary
7151 Jack Newell Blvd Fort Worth, TX 76118, USA		
*Electrocomponents US LLC**	United States of America	Common
7151 Jack Newell Blvd Fort Worth, TX 76118, USA		
Not currently trading		
RS Components Distribuicao de Produtos Eletronicas e de Manutencao Ltda	Brazil	Ordinary
Avenida Nrigadeiro Faria Limia, No. 3,477, South Tower, 16th Floor, City of Sao Paulo, State of Sao Paulo, Brazil		
Electromail Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Electroplan Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Radiospares Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Reading Windings Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Electro Lighting Group Ltd	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		

Notes to the Group Accounts continued

17 Subsidiary undertakings and associated undertakings continued

Name of undertaking	Country of incorporation	Class of share held
Electro-leasing Ltd	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
RS Components International Ltd	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
Electrocomponents Finance Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
RS Limited	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
RS Supplies Ltd	UK	Ordinary
International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW		
*ECI – NJ Inc **	United States of America	Ordinary
7151 Jack Newell Blvd Fort Worth, TX 76118, USA		

* 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, the Philippines, Guangzhou (China) and Shanghai. 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 2017 the Group made sales of £1.4 million (2016: £1.0 million) to RSCC. RSCC is accounted for using the equity accounting method.

18 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 life cycles, amount of anticipated sales over this life cycle and the value recoverable from any excess stock.

	2017 £m	2016 £m
Raw materials and consumables	55.6	45.7
Finished goods and goods for resale	277.7	251.9
Gross inventories	333.3	297.6
Stock provisions	(29.5)	(28.2)
Net inventories	303.8	269.4

During the year £6.7 million (2016: £10.4 million) was recognised as an expense relating to the write-down of inventory to net realisable value.

A reduction in product life cycles of one year would increase the stock provision by £0.7 million (2016: £0.7 million).

A reduction by 10 percentage points in the value recoverable from excess stock would increase the stock provision by £2.8 million (2016: £2.8 million).

19 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, except for derivatives, which are held at fair value.

	2017 £m	2016 £m
Gross trade receivables	257.4	218.2
Provision for doubtful debts	(4.8)	(5.3)
Amounts owed by jointly controlled entity	1.2	0.4
Derivative assets (see note 22)	0.8	0.4
Other receivables	3.5	0.1
Prepayments and accrued income	19.8	18.1
Trade and other receivables falling due within one year	277.9	231.9
Other receivables falling due after more than one year	4.7	2.1

20 Trade and other payables

	2017 £m	2016 £m
Trade payables	161.6	121.4
Other taxation and social security	11.8	12.3
Derivative liabilities (see note 22)	0.3	5.0
Government grants	0.1	0.1
Accruals and deferred income	83.1	63.1
Trade and other payables due within one year	256.9	201.9
Other payables	10.1	4.4
Government grants	3.3	3.3
Other payables due in more than one year	13.4	7.7

21 Interest-bearing loans and borrowings

	2017 £m	2016 £m	2015 £m
Non-current liabilities:			
Unsecured bank facilities	5.8	53.7	66.6
Unsecured Private Placement Notes	79.4	130.9	61.3
	85.2	184.6	127.9
Current liabilities:			
Unsecured bank overdrafts	55.3	343.2	311.4
Unsecured Private Placement Notes	68.1	–	44.0
	123.4	343.2	355.4
Borrowings are repayable as follows:			
Amounts falling due on demand or in less than one year	123.4	343.2	355.4
In more than one but not more than two years	–	58.1	–
In more than two but not more than three years	–	–	61.3
In more than three but not more than four years	79.4	53.7	–
In more than four but not more than five years	5.8	72.8	66.6
	208.6	527.8	483.3

Notes to the Group Accounts continued

21 Interest-bearing loans and borrowings continued

Borrowings are analysed by currency as:	Unsecured bank overdrafts 2017 £m	Unsecured bank facilities 2017 £m	Unsecured Private Placement loan notes 2017 £m	Total 2017 £m
Sterling	**40.5**	**–**	**–**	**40.5**
US dollar	**2.3**	**–**	**147.5**	**149.8**
Euro	**0.3**	**3.8**	**–**	**4.1**
Hong Kong dollar	**8.5**	**–**	**–**	**8.5**
Other	**3.7**	**2.0**	**–**	**5.7**
Total borrowings	**55.3**	**5.8**	**147.5**	**208.6**

	Unsecured bank overdrafts As restated* 2016 £m	Unsecured bank facilities 2016 £m	Unsecured Private Placement loan notes 2016 £m	Total 2016 £m
Sterling	132.3	51.5	–	183.8
US dollar	105.9	–	130.9	236.8
Euro	47.2	–	–	47.2
Hong Kong dollar	7.4	–	–	7.4
Other	50.4	2.2	–	52.6
Total borrowings	343.2	53.7	130.9	527.8

* Restated for the change in accounting policy relating to the grossing up of cash pools. See note 1 on page 87.

	Unsecured bank overdrafts As restated* 2015 £m	Unsecured bank facilities 2015 £m	Unsecured Private Placement loan notes 2015 £m	Total 2015 £m
Sterling	109.3	29.0	–	138.3
US dollar	92.9	27.0	105.3	225.2
Euro	38.5	–	–	38.5
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	47.1	10.6	–	57.7
Total borrowings	311.4	66.6	105.3	483.3

* Restated for the change in accounting policy relating to the grossing up of cash pools. See note 1 on page 87.

22 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, and cross currency 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.

Derivatives are recognised 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.

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. There was no ineffectiveness taken to the income statement during the year (2016: £nil).

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 values hedge accounting are held at amortised cost.

Fair value gain of £8.7 million (2016: £2.4 million loss) on interest rate swaps designated as a fair value hedge has been recognised within financial expense/income. In addition, fair value adjustment loss of £8.6 million (2016: £2.5 million gain) on Private Placement loan notes designated as a fair value hedge has been recognised within financial income/expense.

Notes to the Group Accounts continued

22 Financial instruments continued

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 Group balance sheet, are as follows.

No financial assets or liabilities have been reclassified during the year.

	Notes	Valuation Methodology	Carrying value £m	Fair value £m
Financial assets				
Financial assets held at fair value				
Interest rate swaps used for hedging		A	19.0	19.0
Forward exchange rate contracts used for hedging	19	A	0.8	0.8
			19.8	19.8
Financial assets held at amortised cost				
Cash and short-term deposits	27	D	76.7	76.7
Trade receivables, other receivables and accrued income	19	F	261.1	261.1
			337.8	337.8
Total financial assets at 31 March 2017			**357.6**	**357.6**
Financial liabilities				
Financial liabilities held at fair value				
Forward exchange contracts used for hedging	20	A	(0.3)	(0.3)
			(0.3)	(0.3)
Financial liabilities held at amortised cost				
Bank facilities	21	D	(5.8)	(5.8)
Private Placement loan notes subject to fair value hedge	21	C	(83.8)	(84.1)
Private Placement notes	21	D	(63.7)	(64.1)
Bank overdrafts	21	D	(55.3)	(55.3)
Trade payables, other payables and accruals	20	F	(255.7)	(255.7)
			(464.3)	(465.0)
Total financial liabilities at 31 March 2017			**(464.6)**	**(465.3)**

22 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 rate contracts used for hedging	19	A	0.4	0.4
			11.6	11.6
Financial assets held at amortised cost				
Cash and short-term deposits	27	D	351.5	351.5
Trade receivables, other receivables and accrued income	19	F	216.0	216.0
			567.5	567.5
Total financial assets at 31 March 2016 as restated*			**579.1**	**579.1**
Financial liabilities				
Financial liabilities held at fair value				
Forward exchange rate contracts used for hedging	20	A	(5.0)	(5.0)
			(5.0)	(5.0)
Financial liabilities held at amortised cost				
Bank facilities	21	D	(53.7)	(53.7)
Private Placement notes subject to fair value hedge	21	C	(75.1)	(77.4)
Private Placement notes	21	D	(55.8)	(59.8)
Bank overdrafts	21	D	(343.2)	(343.2)
Trade payables, other payables and accruals	20	F	(198.3)	(198.3)
			(726.1)	(732.4)
Total financial liabilities at 31 March 2016 as restated*			**(731.1)**	**(737.4)**

	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 rate contracts used for hedging	19	A	3.0	3.0
			16.8	16.8
Financial assets held at amortised cost				
Cash and short-term deposits	27	D	316.9	316.9
Trade receivables, other receivables and accrued income	19	F	205.0	205.0
			521.9	521.9
Total financial assets at 31 March 2015 as restated*			**538.7**	**538.7**
Financial liabilities				
Financial liabilities held at fair value				
Interest rate swaps used for hedging		A	(0.1)	(0.1)
Forward exchange rate contracts used for hedging	20	A	(0.5)	(0.5)
			(0.6)	(0.6)
Financial liabilities held at amortised cost				
Bank facilities	21	D	(66.6)	(66.6)
Private Placement notes subject to fair value hedge	21	C	(71.5)	(71.5)
Private Placement notes	21	D	(33.8)	(34.2)
Bank overdrafts	21	D	(311.4)	(311.4)
Trade payables, other payables and accruals	20	F	(220.4)	(220.4)
			(703.7)	(704.1)
Total financial liabilities at 31 March 2015 as restated*			**(704.3)**	**(704.7)**

*Restated for the change in accounting policy relating to the grossing up of cash pools. See note 1 on page 87.

Notes to the Group Accounts continued

22 Financial instruments continued

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

These comprise sterling and foreign currency denominated interest bearing loans, which are subject to hedge accounting. Fair values are estimated by discounting expected contractual cash flows using prevailing interest rate curves and valuing any amounts denominated in foreign currency at the exchange rate prevailing at the balance sheet date (Level 2 as defined by IFRS 7 Financial instruments: Disclosures).

C. Loans designated under fair value hedge relationships

These comprise sterling and foreign currency denominated interest bearing loans which are subject to hedge accounting. Fair values are estimated by discounting expected 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 loans have been designated under fair value hedge relationships (Level 2 as defined by IFRS 7 Financial instruments: Disclosures).

D. Cash and short-term deposits, bank overdrafts, interest-bearing loans held at amortised cost

Cash and short-term deposits 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 (Level 2 as defined by IFRS 7 Financial instruments: Disclosures).

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.

F. Other financial assets and liabilities

Fair values of receivables and payables are determined by discounting future cash flows. For amounts with a re-pricing maturity of less than one year, fair value is assumed to approximate to the carrying amount.

22 Financial instruments continued

Netting arrangements for financial instruments

The Group operates a number of cash pooling arrangement to provide the benefits of settling interest on a net basis. The balances on these accounts are not presented on a net basis on the balance sheet. Where a legal right of offset exists, these are shown in the table below, along with any financial instruments which can be nettted under master netting agreements:

	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of financial assets/ (liabilities) set off in the Group Balance Sheet £m	Net amounts presented in the Group Balance Sheet £m	Financial assets/ liabilities not offset in the Group Balance Sheet £m	Net amounts £m
31 March 2017					
Cash at bank and in hand	**76.7**	**–**	**76.7**	**(54.3)**	**22.4**
Derivatives	**19.8**	**–**	**19.8**	**(0.2)**	**19.6**
Subtotal	**96.5**	**–**	**96.5**	**(54.5)**	**42.0**
Overdrafts	**(55.3)**	**–**	**(55.3)**	**54.3**	**(1.0)**
Derivatives	**(0.3)**	**–**	**(0.3)**	**0.2**	**(0.1)**
Subtotal	**(55.6)**	**–**	**(55.6)**	**54.5**	**(1.1)**
Total	**40.9**	**–**	**40.9**	**–**	**40.9**
31 March 2016 as restated*					
Cash at bank and in hand	351.5	–	351.5	(328.5)	23.0
Derivatives	11.6	–	11.6	(0.4)	11.2
Subtotal	363.1	–	363.1	(328.9)	34.2
Overdrafts	(343.2)	–	(343.2)	328.5	(14.7)
Derivatives	(5.0)	–	(5.0)	0.4	(4.6)
Subtotal	(348.2)	–	(348.2)	328.9	(19.3)
Total	14.9	–	14.9	–	14.9
31 March 2015 as restated*					
Cash at bank and in hand	316.9	–	316.9	(286.1)	30.8
Derivatives	16.8	–	16.8	–	16.8
Subtotal	333.7	–	333.7	(286.1)	47.6
Overdrafts	(311.4)	–	(311.4)	286.1	(25.3)
Derivatives	(0.6)	–	(0.6)	–	(0.6)
Subtotal	(312.0)	–	(312.0)	286.1	(25.9)
Total	21.7	–	21.7	–	21.7

* Restated for the change in accounting policy relating to the grossing up of cash pools. See note 1 on page 87.

Notes to the Group Accounts continued

22 Financial instruments continued

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 2017 the Group had the following committed debt finance in place:

- Private Placement 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 2021.

As at 31 March 2017, the Group had available £181.4 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.

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	51.1	51.1	51.1	–	–	–	–
Outflows for forward exchange contracts	(51.4)	(51.4)	(51.4)	–	–	–	–
Forward exchange contracts used for hedging	(0.3)	(0.3)	(0.3)	–	–	–	–
Non-derivative financial liabilities							
Bank facilities	(5.8)	(6.6)	(0.2)	(0.2)	(0.2)	(0.2)	(5.8)
Private Placement loan notes	(147.5)	(156.0)	(71.0)	(2.4)	(2.4)	(80.2)	–
Bank overdrafts	(55.3)	(55.3)	(55.3)	–	–	–	–
Trade payables, other payables and accruals	(255.7)	(255.7)	(245.6)	(10.1)	–	–	–
At 31 March 2017	(464.6)	(473.9)	(372.4)	(12.7)	(2.6)	(80.4)	(5.8)

	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	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	(343.2)	(343.2)	(343.2)	–	–	–	–
Trade payables, other payables and accruals	(198.3)	(198.3)	(195.6)	(2.7)	–	–	–
At 31 March 2016 as restated*	(731.1)	(745.7)	(549.7)	(66.3)	(2.9)	(56.1)	(70.7)

22 Financial instruments continued

	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							
Bank facilities	(66.6)	(70.0)	(0.8)	(0.8)	(0.8)	(0.8)	(66.8)
Private Placement loan notes	(105.3)	(109.6)	(47.8)	(2.9)	(58.9)	–	–
Bank overdrafts	(311.4)	(311.4)	(311.4)	–	–	–	–
Trade payables, other payables and accruals	(220.4)	(220.4)	(215.8)	(4.6)	–	–	–
At 31 March 2015 as restated*	(704.3)	(712.3)	(576.5)	(8.5)	(59.7)	(0.8)	(66.8)

*Restated for the change in accounting policy relating to the grossing up of cash pools. See note 1 on page 87.

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 US dollars.

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 2017, net forecasted exposures in euros and US dollars for the first four months (euros) and first three months (US dollars) of the year ending 31 March 2018 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 forecast period 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 2017 was £0.1 million (2016: £0.2 million). These contracts 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 2017 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 fixed 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.

Notes to the Group Accounts continued

22 Financial instruments continued

Foreign currency translational risk

The Group has foreign currency translational risk resulting from investment in US and European subsidiaries.

The Group has designated $80.0 million of the Private Placement loan notes, €28.3 million cross currency interest rate swaps, and €4.4 million of external borrowings 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 2017.

A foreign exchange loss of £9.8 million (2016: loss of £2.8 million) was recognised in equity on translation of the loans to sterling in the year ended 31 March 2017. 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.

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 2017 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.

All other borrowings were at a variable rate.

22 Financial instruments continued

Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments, as at 31 March 2017, 31 March 2016 and 31 March 2015 are set out below. The classification includes the impact, but not the balance of the interest rate swaps. The 2015 figures have been re-presented, consistent with this basis.

	2017			2016			As restated* 2015		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Financial liabilities									
Interest-bearing loans and borrowings									
Current	–	(123.4)	(123.4)	–	(343.2)	(343.2)	(33.8)	(321.6)	(355.4)
Non-current	(79.4)	(5.8)	(85.2)	(69.1)	(115.5)	(184.6)	(66.6)	(61.3)	(127.9)
At 31 March	(79.4)	(129.2)	(208.6)	(69.1)	(458.7)	(527.8)	(100.4)	(382.9)	(483.3)
Financial assets									
Cash and short-term deposits	–	76.7	76.7	–	351.5	351.5	–	316.9	316.9
At 31 March	–	76.7	76.7	–	351.5	351.5	–	316.9	316.9

Cash flow hedges

The amount of cash flow hedge gains or losses recognised in equity and subsequently recycled to the income statement during the year were as follows:

Fair value of hedging instruments under cash flow hedges as at 31 March 2015:	
Assets	3.0
Liabilities	(0.6)
Net	2.4
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)
In the year ended 31 March 2017:	
Amount removed from equity and taken to income statement in operating profit	8.1
Fair value of cash flow hedges taken to equity	(3.0)

Fair value of hedging instruments under cash flow hedges as at 31 March 2017:	
Assets	0.8
Liabilities	(0.3)
Net	0.5

Notes to the Group Accounts continued

22 Financial instruments continued

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	**16.8**	**–**	**–**	**2.2**	**–**
Forward exchange contracts:					
Assets	**0.8**	**–**	**–**	**–**	**–**
Liabilities	**(0.3)**	**–**	**–**	**–**	**–**
At 31 March 2017	**17.3**	**–**	**–**	**2.2**	**–**

	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
Forward exchange contracts:					
Assets	0.4	–	–	–	–
Liabilities	(5.0)	–	–	–	–
At 31 March 2016	(4.6)	10.7	–	–	0.5

Sensitivity analysis

The sensitivity analysis is based on the following:

- Changes in market interest rates affecting the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affecting 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 affecting 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.

The sensitivity analysis set out below summarise the impact on:

- The interest expense of a 1% increase in interest rates on all currencies from their actual levels;
- Transactional foreign exchange differences as a result of a 5% decrease in the value of the US dollar and euro against sterling from the actual level; and
- Transactional foreign exchange differences in equity as a result of the $80.0 million and €32.7 million designated as net investment hedges. These would be offset in full in the consolidated group accounts by the translation of US dollar and euro entities.

Sensitivity analysis for the year ended 31 March 2017	Impact on income statement gain/(loss) £m	Impact on equity gain/(loss) £m
1% point increase in interest rates	**(0.5)**	**–**
5% weakening of the euro	**0.3**	**2.7**
5% weakening of the US dollar	**–**	**1.6**

22 Financial instruments continued

The sensitivity analysis for 2016 has been re-presented on a basis consistent with the current year.

Sensitivity analysis for the year ended 31 March 2016	Impact on income statement gain/(loss)	Impact on equity gain/(loss)
1% point increase in interest rates	(1.0)	–
5% weakening in the euro	0.8	2.5
5% weakening in the US dollar	1.0	3.7

A corresponding decrease in interest rates or strengthening of foreign exchange rates will have the opposite effect on the amounts disclosed above.

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.

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:

	2017 £m	2016 £m
Northern Europe	76.8	69.5
Southern Europe	68.9	58.4
Central Europe	29.1	23.6
Europe	174.8	151.5
APAC and emerging markets	23.9	21.0
North America	53.9	40.4
	252.6	212.9

Notes to the Group Accounts continued

22 Financial instruments continued

The ageing of net trade receivables at the reporting date was:

	2017 £m	2016 £m
Not past due	189.9	143.4
Past due 0–60 days	54.1	59.1
Past due 60–120 days	3.9	5.2
Past due >120 days	4.7	5.2
	252.6	212.9

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2017 £m	2016 £m
Balance at 1 April	(5.3)	(4.4)
Gain (loss) recognised	0.5	(0.9)
Balance at 31 March	(4.8)	(5.3)

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 employed, which the Group defines as headline operating profit as a percentage of net assets excluding net debt and net retirement benefit obligations, 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 2017 the Group had a Revolving Credit Facility of £85 million, $75 million and €50 million with a maturity of August 2021 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. The covenants exclude the impact of accounting changes relating to IFRS 16 when adopted by the Group.

There were no significant changes in the Group's approach to capital management during the year.

23 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Property, plant and equipment	1.6	1.4	(7.2)	(6.8)	(5.6)	(5.4)
Goodwill	–	–	(77.4)	(67.8)	(77.4)	(67.8)
Retirement benefit obligations	17.5	7.3	(0.1)	–	17.4	7.3
Inventories	0.1	0.1	(0.4)	(0.5)	(0.3)	(0.4)
Employee benefits	2.2	1.9	(0.1)	–	2.1	1.9
Provisions	1.4	1.6	–	–	1.4	1.6
Other items	3.3	1.3	(0.5)	(1.4)	2.8	(0.1)
Tax losses	1.3	1.3	–	–	1.3	1.3
Tax assets (liabilities)	27.4	14.9	(85.7)	(76.5)	(58.3)	(61.6)
Set off of tax	(4.9)	(5.6)	4.9	5.6	–	–
Net tax assets (liabilities)	22.5	9.3	(80.8)	(70.9)	(58.3)	(61.6)

23 Deferred tax assets and liabilities continued

The decrease in the net deferred tax liability is largely due to an increase in the deferred tax asset relating to the deficit on the defined benefit pension scheme. The movement in the US dollar exchange rate during the year has impacted the deferred tax relating to goodwill, reducing the overall net decrease in the deferred tax liability. As in the prior year, the deferred tax liability relates predominantly to goodwill which has been fully amortised for tax purposes, but is not amortised under IFRS, rather is reviewed annually for impairment. As a result a deferred tax liability has been recognised on the temporary difference between the tax value and the book value in the financial statements. 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.

	2017 £m	2016 £m
Unrecognised deferred tax assets		
Tax losses	2.9	2.5

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 2016 £m	Recognised in profit and loss £m	Recognised in equity £m	Exchange gains/losses £m	Balance at 31 March 2017 £m
Property, plant and equipment	(5.4)	0.5	–	(0.7)	(5.6)
Goodwill	(67.8)	0.2	–	(9.8)	(77.4)
Retirement benefit obligations	7.3	(1.2)	11.2	0.1	17.4
Inventories	(0.4)	0.1	–	–	(0.3)
Employee benefits	1.9	0.1	–	0.1	2.1
Provisions	1.6	(0.4)	–	0.2	1.4
Other items	(0.1)	0.7	2.1	0.1	2.8
Tax losses	1.3	–	–	–	1.3
Net tax (liabilities) assets	(61.6)	–	13.3	(10.0)	(58.3)

24 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 2017 was £7.1 million (2016: £7.9 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 £9.4 million (2016: £8.3 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	
	2017 £m	2016 £m	2017 £m	2016 £m
Within one year	8.2	8.1	6.7	6.8
Within two to five years	9.4	11.8	17.7	17.6
After five years	0.1	1.1	2.3	2.0
	17.7	21.0	26.7	26.4

25 Related parties

The Company has a related party relationship with its subsidiaries as disclosed in note 17 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:

	2017 £m	2016 £m
Remuneration	5.4	4.1
Termination payments	0.3	0.6
Social security costs	0.7	0.5
Equity-settled transactions	2.6	1.7
Pension costs	0.4	0.5
	9.4	7.4

Details of transactions with the jointly controlled entity are given in note 17 to the Group accounts.

26 Share capital

	2017 Number of shares	2016 Number of shares	2017 £m	2016 £m
Ordinary shares of 10p each:				
Called-up and fully paid:				
At 1 April	440,843,661	439,811,909	44.1	44.0
New share capital subscribed	501,507	1,031,752	0.1	0.1
At 31 March	441,345,168	440,843,661	44.2	44.1

All of the new share capital subscribed in the financial year 2017 related to the exercise of share options (note 8).

Details of the own shares held are given in the Company accounts in the statement of changes in equity on page 129.

27 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.

	2017 £m	As restated* 2016 £m	As restated* 2015 £m
Cash and short-term deposits	**76.7**	351.5	316.9
Bank overdrafts	**(55.3)**	(343.2)	(311.4)
Cash and cash equivalents	**21.4**	8.3	5.5
Bank loans repayable after more than one year	**(5.8)**	(53.7)	(66.6)
Private Placement loan notes	**(147.5)**	(130.9)	(105.3)
Fair value of swap hedging fixed rate borrowings	**19.0**	11.2	13.8
Net debt	**(112.9)**	(165.1)	(152.6)
Net pension deficit	**(104.6)**	(43.3)	(60.4)
Net debt including net pension deficit	**(217.5)**	(208.4)	(213.0)

The movements on net debt during the year are analysed below:

Analysis of movement in net debt	**2017 £m**	As restated* 2016 £m	As restated* 2015 £m
Net debt at 1 April	**(165.1)**	(152.6)	(143.6)
Free cash flow	**112.6**	46.6	49.0
Equity dividends paid	**(51.7)**	(51.6)	(51.6)
New shares issued	**1.1**	1.7	0.4
Own shares acquired	**(1.3)**	(2.3)	(0.6)
Translation differences	**(8.5)**	(6.9)	(6.2)
Net debt at 31 March	**(112.9)**	(165.1)	(152.6)

*Restated for the change in accounting policy relating to the grossing up of cash pools. See note 1 on page 87.

28 Contingent liabilities

At 31 March 2017 there were no contingent liabilities (2016: none).

29 Principal exchange rates

	2017 Average	**2017 Closing**	2016 Average	2016 Closing
US dollar	**1.31**	**1.26**	1.51	1.44
Euro	**1.19**	**1.18**	1.37	1.26

Company Balance Sheet

As at 31 March 2017

	Note	2017 £m	As restated* 2016 £m	As restated* 2015 £m
Fixed assets				
Investment properties	10	18.2	17.2	16.2
Investments	11	286.0	294.9	299.9
		304.2	312.1	316.1
Current assets				
Debtors: amounts falling due within one year	12	164.5	8.1	7.0
Debtors: amounts falling due after more than one year	12	3.2	11.6	14.2
Cash at bank and in hand		50.6	338.0	294.1
		218.3	357.7	315.3
Creditors: amounts falling due within one year	13	(174.1)	(220.0)	(214.3)
Net current assets		44.2	137.7	101.0
Total assets less current liabilities		348.4	449.8	417.1
Creditors: amounts falling due after more than one year	14	(85.2)	(184.6)	(127.9)
Provisions for liabilities and charges	17	(0.6)	(0.7)	(0.7)
Net assets		262.6	264.5	288.5
Capital and reserves				
Called-up share capital	19	44.2	44.1	44.0
Share premium account		44.5	43.5	41.9
Retained earnings		173.9	176.9	202.6
Total equity		262.6	264.5	288.5

*Restated for the change in accounting policy relating to the grossing up of cash pools (see note 1 of the Group accounts on page 87) and for the change in accounting policy relating to investment properties (see note 3 on page 134).

The notes on pages 130 to 142 are an integral part of these financial statements.

The financial statements on pages 128 to 142 were approved and authorised for issue by the Board of Directors on 23 May 2017 and were signed on its behalf.

David Egan
Group Finance Director

Electrocomponents plc
Company number: 647788

Company Statement of Changes in Equity

For the year ended 31 March 2017

	Share capital account £m	Share premium account £m	Retained earnings: Own shares held £m	Retained earnings: Profit and loss account £m	Total £m
At 1 April 2016 as restated*	44.1	43.5	(3.0)	179.9	264.5
Profit for the year	–	–	–	45.7	45.7
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	45.7	45.7
Dividends paid	–	–	–	(51.7)	(51.7)
Equity-settled transactions	–	–	–	3.7	3.7
Shares allotted in respect of share awards	0.1	1.0	2.0	(2.0)	1.1
Own shares acquired	–	–	(1.3)	–	(1.3)
Related tax movements	–	–	–	0.6	0.6
Total transactions with owners, recognised directly in equity	0.1	1.0	0.7	(49.4)	(47.6)
At 31 March 2017	44.2	44.5	(2.3)	176.2	262.6

	Share capital account £m	Share premium account £m	Retained earnings: Own shares held £m	Retained earnings: Profit and loss account £m	Total £m
At 1 April 2015 as restated*	44.0	41.9	(0.9)	203.5	288.5
Profit for the year	–	–	–	25.8	25.8
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	25.8	25.8
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)
Total transactions with owners, recognised directly in equity	0.1	1.6	(2.1)	(49.4)	(49.8)
At 31 March 2016 as restated*	44.1	43.5	(3.0)	179.9	264.5

*Restated for the change in accounting policy relating to investment properties (see note 3 on page 134).

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.

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.

(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 81 to 127.

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

(c) Going concern

The Company meets its day-to-day working capital requirements through its bank facilities as detailed in note 22 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.

(d) 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.

(e) 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 a 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.

(f) 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 Company's derivatives are 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 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.

(g) 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.

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.

Notes to the Financial Statements continued

3 Summary of significant accounting policies continued

Defined benefit pension plan continued

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:

- the increase in pension benefit liability arising from employee service during the period; and
- 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'.

(h) 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.

(i) Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

(j) 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. 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:

Plant and machinery	10% – 20%
Computer equipment	20% – 33%

(k) Investment properties

The Company owns freehold warehouse facilities, which are held for long-term rental yields and are occupied by a wholly owned subsidiary. Investment properties are carried at fair value, with the change in fair value recognised in profit or loss for the year. The directors update their assessment of the fair value of investment properties as at 31 March each year, taking into account advice from independent experts regarding recent comparable transactions.

The Company has revised its accounting policies regarding investment properties. The Company no longer depreciates investment properties, and in accordance with FRS 102, investment properties are carred at fair value, and presented separately from tangible fixed assets on the Company balance sheet. The balance sheets as at 31 March 2016 and 31 March 2015 have been restated to reflect this treatment. The Company's previously reported net assets for the year ended 31 March 2016 and 31 March 2015 have increased by £2.4 million and £1.0 million respectively.

(l) 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 estimates made in the accounts for the year ended 31 March 2017 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 £45.7 million (2016: £25.8 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 5 of the Group accounts.

6 Employees

Numbers employed

	2017	2016
The average number of employees during the year was:		
Management and administration	45	53

Aggregate employment costs

	£m	£m
Wages and salaries	4.9	4.1
Social security costs	0.6	0.6
Share based payments	1.8	0.8
Pension costs	0.6	0.7
	7.9	6.2

The remuneration of individual Directors is detailed on pages 56 to 71.

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 18% (2016: 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 £1.8 million (2016: £0.8 million). Of the total charge, £1.4 million (2016: £0.7 million) related to equity-settled share schemes and £0.4 million (2016: £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.

Notes to the Financial Statements continued

7 Share-based payments continued

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.

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 employee's continued employment for a three or five year period and the maintenance of the employee's 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 9 of the Group accounts. The last actuarial valuation of the UK scheme was carried out as at 31 March 2016 and has been updated to 31 March 2017 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).

	2017 %	2016 %
Discount rate	2.60%	3.60%
Expected rate of salary increases	Nil	Nil
Rate of RPI inflation	3.10%	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.	3.05%	2.85%
RPI inflation capped at 5% p.a.	2.20%	2.10%

8 Post-employment benefits continued

The mortality assumptions used were as follows:	2017 years	2016 years
Longevity at age 65 for current pensioners:		
Men	22.7	22.5
Women	23.9	24.2
Longevity at age 65 for future pensioners:		
Men	23.9	23.9
Women	26.5	26.4

Reconciliation of scheme assets and liabilities:	Assets £m	Liabilities £m	Total £m
At 1 April 2016	438.0	(468.4)	(30.4)
Benefits paid	(15.1)	15.1	–
Employer contributions	10.1	–	10.1
Current service cost	–	(3.6)	(3.6)
Interest income (expense)	15.7	(16.6)	(0.9)
Insurance premium for risk benefits	(0.1)	0.1	–
Administrative expenses paid from plan assets	(0.8)	–	(0.8)
Remeasurement gains (losses):			
Effect of changes in assumptions	–	(123.1)	(123.1)
Effect of experience adjustments	–	5.6	5.6
Return on plan assets excluding interest income	52.2	–	52.2
At 31 March 2017	500.0	(590.9)	(90.9)

Total cost recognised as an expense:	2017 £m	2016 £m
Current service cost	3.6	5.1
Past service cost	–	–
Interest cost	0.9	1.4
	4.5	6.5

No amounts (2016: nil) were included in the cost of assets.

The fair value of the plan assets was:	2017 £m	2016 £m
Equity instruments	38.4	78.3
Bonds	–	96.4
Investment funds	258.0	262.8
Credit funds	202.3	–
Cash	1.3	0.5
	500.0	438.0

Notes to the Financial Statements continued

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:

	2017 £m	2016 £m
Current period contributions	0.5	0.6

9 Tangible assets

Cost	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2016	9.2	0.5	9.7
Additions	–	–	–
At 31 March 2017	**9.2**	**0.5**	**9.7**
Depreciation			
At 1 April 2016	9.2	0.5	9.7
Charged in the year	–	–	–
At 31 March 2017	**9.2**	**0.5**	**9.7**
Net book value			
At 31 March 2017	**–**	**–**	**–**
At 31 March 2016	–	–	–

10 Investment properties

	2017 £m	2016 £m
At 1 April	17.2	16.2
Net gain from fair value adjustment	1.0	1.0
At 31 March	18.2	17.2

11 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 2016	192.7	118.0	310.7
Additions	2.2	–	2.2
Repayment	–	(20.9)	(20.9)
Revaluation	–	9.8	9.8
At 31 March 2017	**194.9**	**106.9**	**301.8**
Provisions			
At 1 April 2016	0.4	15.4	15.8
Impairment charge	–	–	–
At 31 March 2017	**0.4**	**15.4**	**15.8**
Net book value			
At 31 March 2017	**194.5**	**91.5**	**286.0**
At 31 March 2016	192.3	102.6	294.9

A list of subsidiary undertakings held by the Company is disclosed in note 17 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 2017, this amounted to £2.2 million (2016: £2.1 million).

12 Debtors

	2017 £m	As restated* 2016 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**145.2**	6.1
Derivative asset	**17.3**	0.4
Prepayments and accrued income	**2.0**	1.6
	164.5	8.1
Amounts falling due after more than one year:		
Derivative asset	**2.2**	11.2
Deferred tax asset (see note 17)	**1.0**	0.4
	3.2	11.6

*Restated for the change in accounting policy relating to the grossing up of cash pools (see note 1 of the Group accounts on page 87).

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 22 of the Group accounts.

Notes to the Financial Statements continued

13 Creditors : amounts falling due within one year

	2017 £m	As restated* 2016 £m	As restated* 2015 £m
Amounts owed to subsidiary undertakings	58.2	86.3	44.0
Bank overdrafts	42.7	125.9	121.9
Derivative liability	0.5	5.0	0.5
Accruals and deferred income	4.6	2.6	3.9
Loans falling due within one year	68.1	–	44.0
Income tax liabilities	–	0.2	–
	174.1	220.0	214.3

*Restated for the change in accounting policy relating to the grossing up of cash pools (see note 1 of the Group accounts on page 87).

Amounts owed to subsidiary undertakings are unsecured, interest free, have no fixed date or repayment and are repayable on demand.

14 Creditors : amounts falling due after more than one year

	2017 £m	2016 £m
Amounts falling due between one and five years:		
Loans repayable after more than one year	85.2	184.6
	85.2	184.6

15 Loans and other borrowings

	2017 £m	2016 £m
Sterling bank loans	–	51.5
Euro bank loans	3.7	–
South African rand bank loans	2.1	2.2
US dollar Private Placement loan notes	147.5	130.9
	153.3	184.6
Amounts falling due within one year or on demand	68.1	–
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	85.2	145.1
	153.3	184.6

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 22 of the Group accounts.

16 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:	2017 £m	2016 £m
Within one year	0.3	0.4
Within two to five years	1.1	–
	1.4	0.4

The Company has no other off-balance sheet arrangements.

17 Provisions for other liabilities

Deferred taxation	2017 £m	2016 £m
At 1 April	0.3	0.3
Profit and loss account	(0.1)	(0.1)
Recognised in reserves	(0.6)	0.1
At 31 March	(0.4)	0.3

The provision for deferred tax consists of the following deferred tax liabilities (assets)

Deferred taxation	2017 £m	2016 £m
Amounts provided:		
Accelerated capital allowances	0.6	0.7
Share schemes	(1.0)	(0.4)
	(0.4)	0.3

Deferred taxation	2017 £m	2016 £m
Disclosed as:		
Deferred tax asset (note 12)	(1.0)	(0.4)
Deferred tax liability	0.6	0.7
	(0.4)	0.3

There are no unused tax losses or unused tax credits.

18 Contingent liabilities

Guarantees exist in respect of bank facilities available to certain subsidiaries, up to a maximum of £49.0 million (2016: £44.7 million), of which £0.9 million (2016: £1.8 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

19 Share capital

	2017 Number of shares	2016 Number of shares	2017 £m	2016 £m
Ordinary shares of 10p each				
Called up and fully paid:				
At 1 April	440,843,661	439,811,909	44.1	44.0
New share capital subscribed	501,507	1,031,752	0.1	0.1
At 31 March	441,345,168	440,843,661	44.2	44.1

All of the new share capital subscribed in 2017 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.

20 Dividends

	2017 £m	2016 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2016 – 6.75p (2015: 6.75p)	29.7	29.7
Interim dividend for the year ended 31 March 2017 – 5.0p (2016: 5.0p)	22.0	21.9
	51.7	51.6
Proposed dividend for the year ended 31 March 2017 – 7.3p	32.2	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 20 July 2017 and has not been included as a liability in these accounts.

Five-year Record

	2017 £m	As restated* 2016 £m	As restated* 2015 £m	2014 £m	2013 £m
Revenue	**1,511.7**	1,291.1	1,266.2	1,273.1	1,235.6
Operating profit	**132.3**	40.1	101.2	106.1	92.3
Pension changes/reorganisation costs (income)	**0.9**	41.9	(16.0)	–	7.4
Headline operating profit	**133.2**	82.0	85.2	106.1	99.7
Net financial expense	**(5.2)**	(5.2)	(5.1)	(5.0)	(5.6)
Profit before tax	**127.1**	34.9	96.1	101.1	86.7
Reorganisation costs and pension changes	**0.9**	41.9	(16.0)	–	7.4
Headline profit before tax	**128.0**	76.8	80.1	101.1	94.1
Tax	**(35.0)**	(13.0)	(25.8)	(29.6)	(27.3)
Profit for the year attributable to the equity shareholders	**92.1**	21.9	70.3	71.5	59.4
Basic earnings per share	**20.9p**	5.0p	16.0p	16.3p	13.6p
Free cash flow	**112.6**	46.6	49.0	57.7	49.3
Non-current assets	**387.6**	365.7	378.8	342.7	361.5
Current assets	**675.6**	853.6	822.9	519.6	498.2
Current liabilities	**(390.2)**	(557.0)	(568.3)	(254.4)	(221.4)
Non-current liabilities	**(284.0)**	(306.5)	(265.1)	(243.6)	(258.7)
Net assets	**389.0**	355.8	368.3	364.3	379.6
Number of shares in issue:					
Weighted average (excluding own shares held)	**440.3**	439.4	439.5	439.1	437.8
Year end	**441.3**	440.8	439.8	439.6	438.1
Dividend per share (pence)	**12.3**	11.75	11.75	11.75	11.75
Average number of employees	**5,769**	6,024	6,245	6,212	6,307
Share price at 31 March (pence)	**473.4**	241.4	241.5	283.0	251.0

* Restated for the change in accounting policy relating to the grossing up of cash pools. See note 1 of the Group accounts on page 87.

Shareholder Information
Registered Office, Financial Calendar and Advisers

REGISTERED OFFICE

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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.

BE SCAM SMART

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue?
- promised tempting returns and told the investment is safe?
- called repeatedly?
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

Reject cold calls - If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

Check the FCA Warning List - The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

Get impartial advice - Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm**. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at **www.fca.org.uk/scamsmart**

Remember: if it sounds too good to be true, it probably is!

Shareholder Information
Registered Office, Financial Calendar and Advisers

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

2017 final dividend timetable:

- Ex-dividend date: 15 June
- Record date: 16 June
- Annual General Meeting: 20 July
- Dividend paid: 26 July

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Remuneration consultant
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London EC4A 3BZ

Locations

GET MORE ONLINE

Latest shareholder information

- Share price
- Corporate Governance
- Analyst consensus estimates
- Updates via email

Archive information

- Financial results
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- Video library

For more information and the latest news visit: **www.electrocomponents.com**

PRINCIPAL LOCATIONS

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Czech Republic
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