



# The global distributor for engineers

**Electrocomponents plc**

Annual Report and Accounts  
for the year ended 31 March 2015

[www.electrocomponents.com](http://www.electrocomponents.com)

Stock Code: ECM

# Who we are

We are Electrocomponents, the global distributor for engineers. We ship a new parcel from our range of more than 500,000 products every two seconds, to over one million customers in more than 80 countries.

**Bienvenue**  
**Willkommen**  
**歓迎**  
**Benvenuti**  
**Bienvenido**  
**ようこそ**  
**Welcome**



We are dedicated to service excellence, providing a one-stop source for everything engineers need. Our customers choose us for our range and availability of products, the service accuracy we provide, our competitive pricing, and because we're easy to do business with.

We continue to evolve our value proposition to deliver innovation and inspiration to engineers worldwide so that they can do their jobs better.

## Our strategy

Our vision to be the World's Distributor of Choice has been consistent for many years. Our global organisation and strategy will enable us to turn this vision into reality.

Our global strategy comprises seven strategic priorities that will enable us to extend our advantages over our numerous smaller competitors and accelerate the rate at which we gain market share over the medium term.

 To view our online Annual Report and Accounts 2015 visit: [electrocomponents.annualreport2015.com](http://electrocomponents.annualreport2015.com)

## Navigating this report

To help with the connectivity of the Annual Report and our multi-channel approach, we have indicated where you can find more detail.



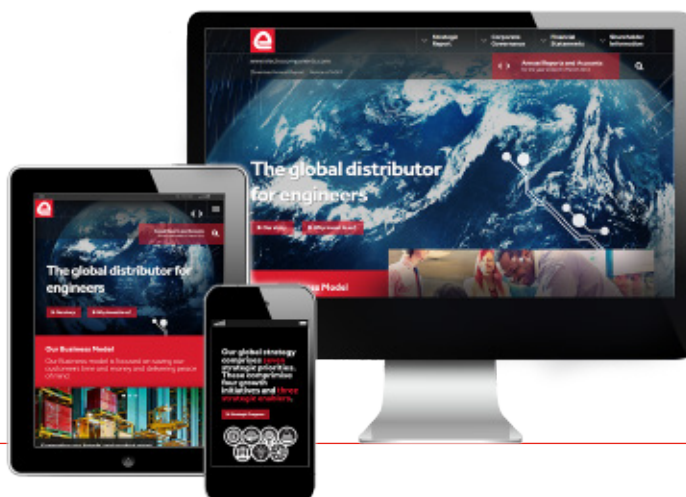
Read more online



Read more in this report



Watch our video



**Through the talents and efforts of our 6,200 employees, we create the essential connection in the supply chain between our suppliers and customers, ensuring the latest and most innovative products are available quickly, reliably and cost-effectively.**

We save our customers the time and expense of managing multiple suppliers, and sell genuine, high-quality products from over 2,500 known and trusted brands. We hold over £250 million of products in stock and add around 60,000 new products to our range every year.

Customers trust our fast and reliable on-time delivery, and benefit from same-day despatch to avoid any business downtime. Our supply chain and globally-connected freight network provide a superior service, offering a truly competitive edge to our business.

eCommerce is our largest channel to market and has driven our growth for a decade. We are continually improving our customers' online experience with us, helping them to save time and money.



## Read more about how we connect within this report

### One Global Offer



### Strong brands

Over 500,000 products

### eCommerce with a Human Touch

**59%**

of sales via eCommerce

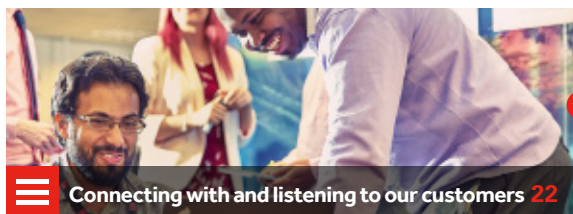
### Suppliers

**2,500**

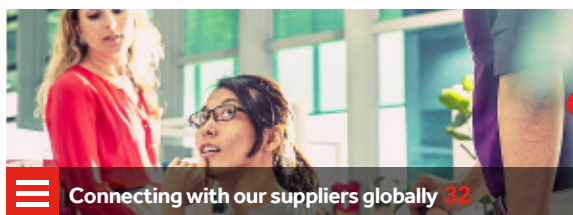
leading global suppliers



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# Why invest in us?

Electrocomponents is a leading global player in an attractive market.

We are the world's leading high service distributor in large, growing and highly fragmented markets. We estimate that the global market in which we operate is worth in excess of £30 billion, split evenly between electronics and maintenance products, growing at around twice GDP and around GDP respectively.

There are five large international high service distributors, including Electrocomponents, and together this group has an estimated market share of around 15%.



## 4 key reasons to invest

### Well-established global leader

Our two well-established brands, RS Components (RS) and Allied Electronics (Allied), have existed for more than 75 years and have grown to produce a Group that is a global leader in its marketplace, covering around 90% of the world's GDP.

See our business model on pages 06 and 07

### Structural growth opportunity

The marketplace we operate in is highly fragmented, with numerous smaller competitors. There are clear benefits to being a large, global competitor in this marketplace, meaning that we are well placed to take a greater share of these growing markets over time.

See our strategy on pages 10 and 11

### Growing markets

On average, the markets we operate in grow faster than GDP. This is driven by demand for electronic components, which grows at around twice GDP through the business cycle, with continued innovation increasing the proliferation of electronic components in everyday life.

See our marketplace on pages 08 and 09

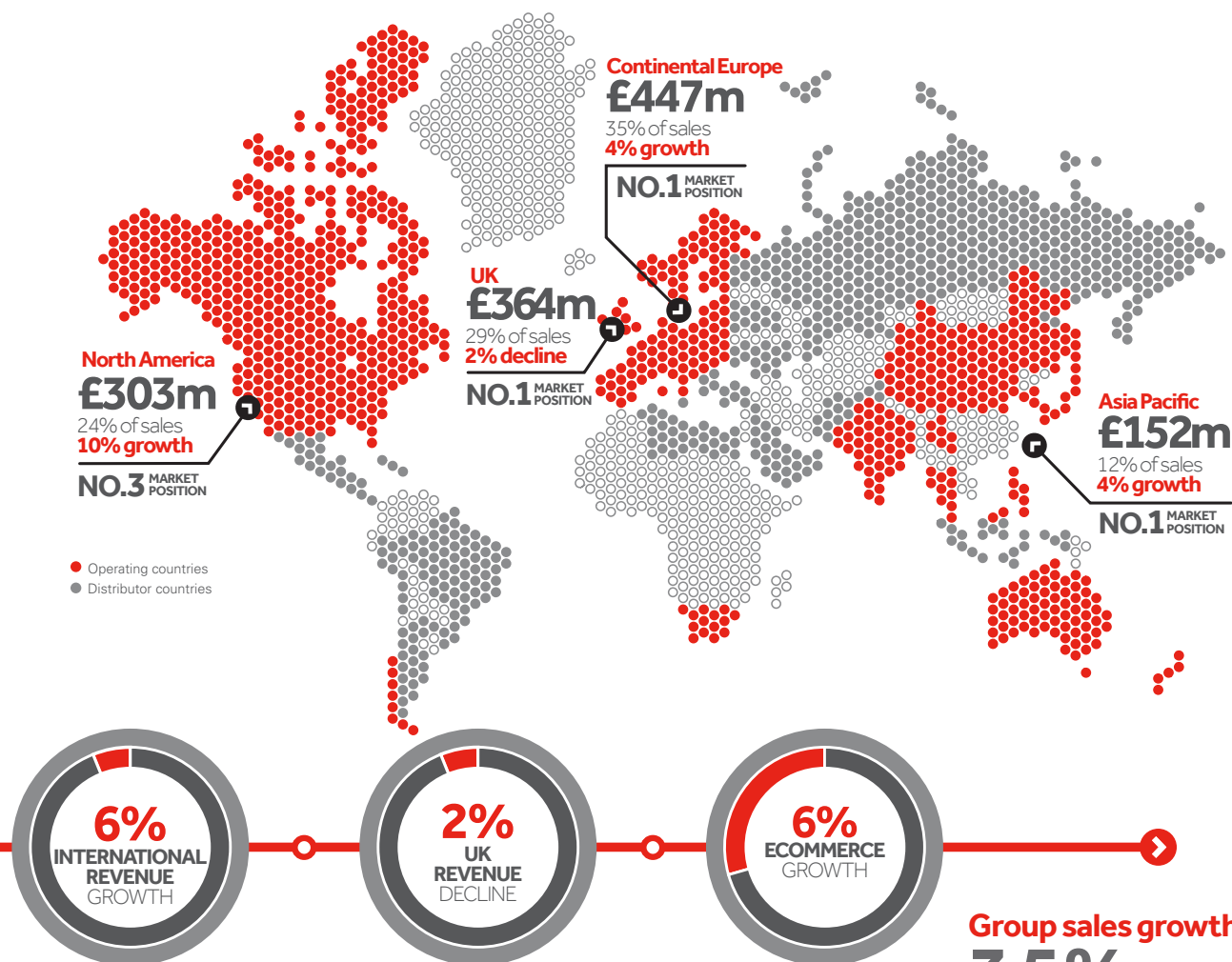
### Significant opportunity to improve performance

Our immediate focus is to reduce complexity, increase accountability and accelerate the pace of change to drive faster growth and improved shareholder returns. Our new Group Chief Executive will present detailed plans at our half-year financial results in November.

See our key performance indicators on pages 24 and 25

# Our performance overview

A disappointing financial performance.



**Group sales growth**  
**3.5%**  
(2014: 2.1%)

**Headline profit before tax**  
**£80.1 million**  
(2014: £101.1 million)

**Headline free cash flow**  
**£52.3 million**  
(2014: £58.3 million)

## International revenue growth offsets UK decline

# Chairman's introduction

Welcome to our report.



We were pleased to welcome Lindsley Ruth as Group Chief Executive on 1 April 2015. Lindsley has spent much of his first few weeks in the Group visiting our operations, meeting the team and talking to our suppliers and customers. Since Lindsley joined after our financial year end, this Annual Report and Accounts will not contain a Group Chief Executive's Review. As a result my report is slightly longer than usual and covers some of the issues normally addressed in the Group Chief Executive's section. An introduction to Lindsley and his initial observations on the Group are included on pages 12 and 13.

Our 2015 financial performance was disappointing, with investment not yet delivering the expected step up in revenue growth and the UK business remaining in decline. Neither sales growth nor gross margin reached expected levels, whilst costs continued to grow. Headline profit before tax was down 21%, with 8% points of this decline due to adverse exchange rates and fewer trading days. Overall, performance was not good enough and something we are determined to improve. Lindsley will review the business, strategy and its implementation and lay out his plans in November on how to deliver a sustained improvement in performance. Meanwhile, actions to address underperformance are being intensified.

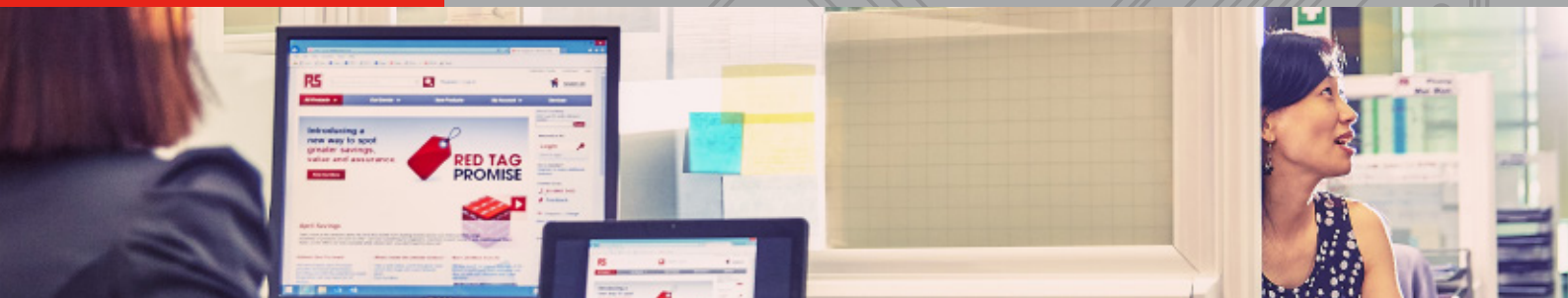
## Trading performance

Underlying sales (adjusted for trading days and currency movements) grew by 3.5%, with growth improving slightly from 3% in the first half of the year to 4% in the second half, mainly reflecting better growth in Continental Europe. North American revenues grew by 10%, benefiting from a healthy economy, strong growth in automation and control products and eCommerce sales. Sales growth in Continental Europe improved from 2% in the first half of the year to 7% in the second half of the year, averaging 4% over the year. The management actions taken in France, our largest Continental European market, brought the business back into sales growth in the second half. The Asia Pacific business saw growth of 4% during the year with good growth in Greater China and South East Asia, partially offset by a slowdown in Australasia.

UK performance remained poor with sales revenue falling 2%. The UK market remains difficult for us, as it does for a number of other companies operating in our industry. The Board does not believe this performance is acceptable and the UK will remain an area of urgent Board and management focus.

Headline profit before tax fell by 21% with 8% points of the decline due to fewer trading days and the strengthening of Sterling. At constant trading days and exchange rates, profit before tax was down by 13%, with gross margins down 1.3% points and costs up by 3.6% as planned investment in the strategy continued. Anticipated mix effects resulting from above-average growth in lower-margin geographies, such as North America, and lower-margin product categories, such as semiconductors, reduced gross margins by 0.5% points. The balance of the decline resulted from increased discounting in regions including the UK and Asia Pacific and the impact of exchange rates.

Headline free cash flow during the year was £52.3 million compared with £58.3 million the prior year. Free cash flow as a percentage of sales at 4.1% was at the lower end of the parameters set out in our medium-term performance framework. Return on capital employed of 16.4% was below the targeted range set out in this performance framework (for more information on these KPIs please refer to pages 24 and 25).



## Strategy and medium-term business plans

Despite this performance, the Board remains confident in the underlying Electrocomponents business model and fully supports Lindsley as he assesses the changes needed to the strategy and operations in order to achieve significantly better performance.

In the past year, further progress has been made in implementing the strategy including One Global Offer and eCommerce with a Human Touch. Over a quarter of our product range is now available globally against 10% a year ago, whilst eCommerce sales grew at 6% and amounted to 59% of Group revenues. The global rollout of our SAP systems was completed with its implementation in Japan. We continued to improve eCommerce search capabilities and began investment in a global inventory planning tool and a new web platform. More details on progress can be found in our strategy section on pages 10 and 11.

## Group Chief Executive appointment

As mentioned earlier, Lindsley joined us as Group Chief Executive in April. He has many years of highly relevant international experience in the distribution sector and a strong track record of driving sales, margins and international growth. More details on his background and his first thoughts upon joining Electrocomponents can be found on pages 12 and 13. We are confident that he has the skills, experience and attitude needed to address the factors that have held back the performance of our business and deliver improved results for shareholders, customers and suppliers alike.

After 13 years in the role, Ian Mason stepped down as Group Chief Executive on 31 March 2015. On behalf of the Board and his colleagues, I would like to thank Ian for his stewardship of the Company over that time and wish him success in the future.

## Dividend

The Group has a strong balance sheet and the Board recognises the importance of dividends to shareholders and is therefore proposing an unchanged final dividend for the year of 6.75 pence per share. This will be paid on 28 July 2015 to shareholders on the register on 26 June 2015. The total dividend for the year will therefore be 11.75 pence per share, resulting in headline earnings dividend cover of 1.1 times.

## Current trading

In the first seven weeks of the new financial year the Group has delivered sales growth of 4%. The International business grew by 6% and the UK declined by 1%. Within International, Continental Europe grew by 11%, North America grew by 4% and Asia Pacific declined by 1%. Sales growth in Continental Europe has continued to be strong whilst North American sales growth was affected by the recent weakening in US manufacturing output.

## Governance

The Board and its committees continued to work effectively throughout the year to monitor the implementation of the Group strategy, ongoing business performance and compliance with Group policies. There is more detail in the Corporate Governance report on pages 50 to 57.

The internal Board evaluation led this year by the Company Secretary built on the findings of the external exercise carried out in 2014. The results and recommendations, as well as the completed actions arising from last year's evaluation, are reported on page 55.

Adrian Auer stood down as a Non-Executive Director on 30 June 2014 after five years on the Board. I would like to thank him for his incisive contributions to the Board's discussions. Having reviewed the issues facing the business in the coming years, the Nomination Committee decided it would benefit from appointing someone with current digital experience. I am therefore delighted that Bertrand Bodson will be joining the Board with effect from 1 June 2015. Bertrand, who is Belgian, is currently Chief Digital Officer at Home Retail Group and brings to us considerable relevant digital experience, as well as increasing Board diversity.

After seven years Rupert Soames stood down as Chairman of the Remuneration Committee on 1 August 2014. However, I am pleased to say that he continues on the Board as a Senior Independent Director. John Pattullo has taken over as Chairman of the Remuneration Committee.

## Corporate responsibility

As a member of the FTSE4Good Index, corporate responsibility is integral to our business. Our greatest focus is on our employees, through ensuring a safe and healthy working environment and engaging them fully in our business, strategy and operations. We are also 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 information on our approach to corporate responsibility can be found on pages 34 to 41.

## Employees

The success of the Group in its ability to grow and achieve its ambitions is dependent on the talents and efforts of all our employees. The Board is always impressed by the commitment of our employees and is especially grateful for the way they have dealt with the uncertainty around a change of Group Chief Executive. On behalf of the Board, I would like to thank them all for their continued commitment and enthusiasm.

### Peter Johnson

Chairman  
21 May 2015

# Our business model

Our business model is focused on saving our customers time and money, and delivering them peace of mind.

## Supplier management

We work closely with over 2,500 major suppliers to ensure we have the right products in stock to fulfil customer demand: semiconductors; interconnect, passives and electromechanical components; automation and control and electrical, test and measurement equipment; and engineering tools and consumables.

### Our brands



RS Components is the number one high service distributor across Europe and Asia Pacific.



Allied Electronics is the third largest high service distributor serving the United States, Mexico, and Canada.



DesignSpark is our online design community and resource centre for electronic design engineers.

## Offer presentation, sales and marketing

We present this offer of leading products using rich and full content via our website and catalogues, backed up by technical support and design tools, so that customers can make informed purchase decisions.

Our highly skilled sales teams are deployed to optimise this stage of the process for our high-value customers, whilst our digital resources are used to market to all customer types.

We price our offer competitively, changing prices on our leading global brands regularly and offering own-brand products within certain parts of our product range to supplement our offer to customers.



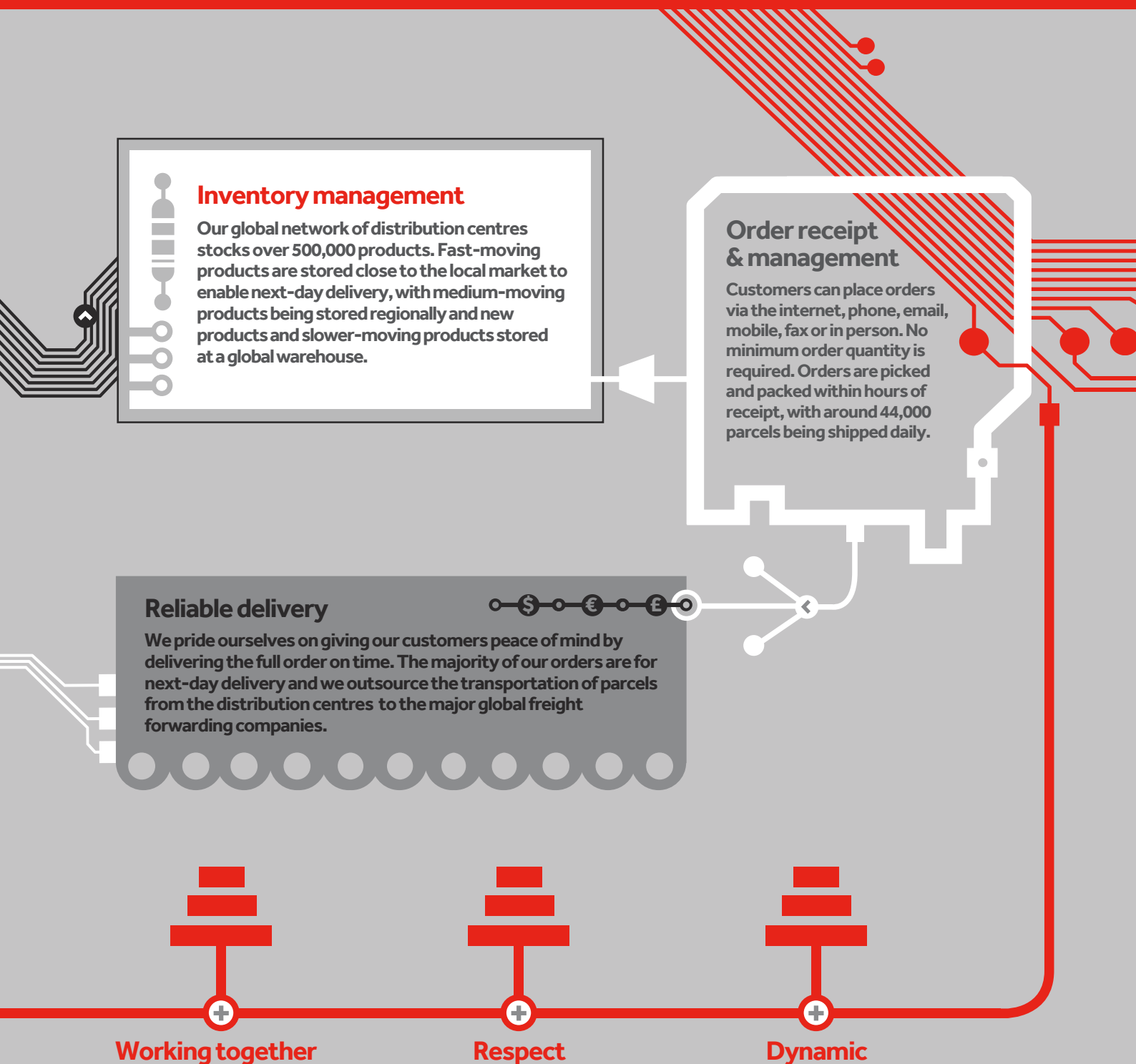
## Our core behaviours

Customer focused

High performance



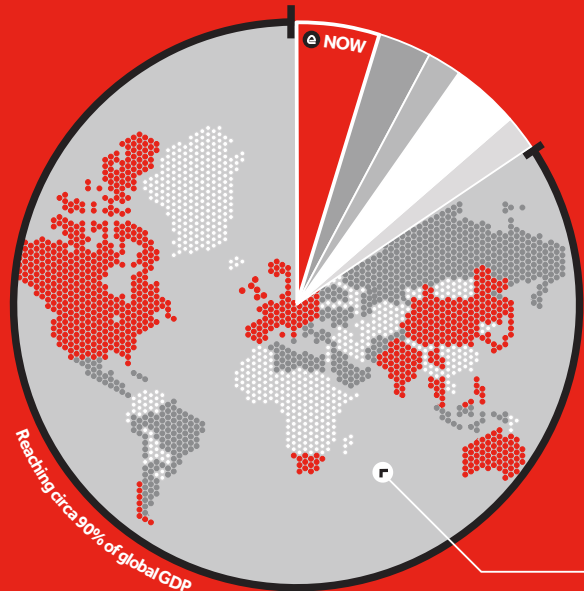
We start each day with minimal orders and finish the day with minimal orders, but in between we process and despatch around 44,000 parcels to customers.



# Our marketplace

The demand that we serve and our market opportunity.

**“Our strategy will enable us to increase the rate at which we gain market share and improve profitability.”**

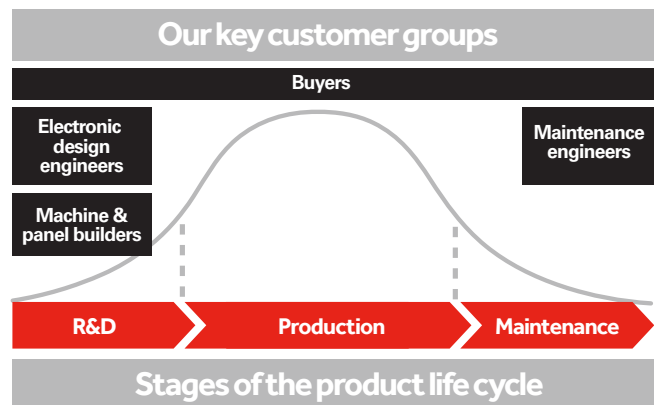


## **Our multi-channel approach provides a purchasing solution to meet all needs.**

Customers can order online, in person, by phone, fax or email. eCommerce is our largest channel with 59% of global sales generated online. It is also revolutionising how we interact with and engage our customers.

With no minimum order quantity, our customers can order as few or as many products as they need.

Our business mainly serves the demand created by engineers at the start and end of a product life cycle.



## **Order characteristics**

**Average order circa £150**

**Average order contains 2-3 product lines**

**Wide variety of products per order**

Global market over  
**£30 BILLION**

Electrocomponents  
**NO.1** MARKET POSITION

Top 5 distributors  
**SHARE 15% OF MARKET**

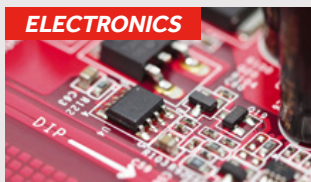
Over 1 million  
**CUSTOMERS IN 80 COUNTRIES**

**32** WORLDWIDE OPERATIONS

## Our product categories

We have five product categories that are built to service our four key customer groups and there are clear, distinct strategies for each.

### ELECTRONICS



#### Semiconductors

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

### ELECTRONICS



#### Interconnect, Passives and Electromechanical (IP&E)

Virtually all electronic and electrical systems require IP&E components, from resistors and switches to heavy duty connectors for industrial applications. Thanks to the strong relationships we have with our suppliers, we offer a comprehensive range including the most innovative components.



#### Automation and Control (A&C)

A&C products, which include programmable logic controllers, safety devices, sensors and pneumatic cylinders, are suitable for all industry sectors, including factories and process automation. We are focused on being the main supplier for panel builders and maintenance engineers in small and medium enterprises.



#### Electrical, Test and Measurement (ET&M)

ET&M products are vital in all areas of engineering, from the testing and calibration of medical equipment to the installation of lighting in a commercial building. The portfolio ranges from mains and network cabling, oscilloscopes and multimeters, to fluorescent tubes and LED lamps.



#### Tools and consumables

Our tools and consumables range encompasses everything that our customers need to support the product life cycle, from research and development through to maintenance and repair. This includes spanners, batteries and protective gloves through to power tools and 3D printers.

## Our key customer groups

### Electronic design engineers

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

### Machine and panel builders

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

### Maintenance engineers

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

### Buyers

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

## Our suppliers

We have strong relationships with over 2,500 major suppliers of electronic components, electrical, automation and control, and test and measurement equipment, and engineering tools and consumables. We also work closely with a number of key global strategic suppliers.

These relationships are an increasingly important factor in allowing us to maintain high standards of product availability for our customers and anticipate future customer needs.

They also give the suppliers access to a diverse global customer base and increase the exposure of their products and brands.

## Strategic supplier brands



# Our strategy

Our global strategy comprises seven strategic priorities.



## Grow Target Customers WITH

We will increase corporate customer numbers and our sales to existing customers by focusing on four core groups: electronic design engineers, machine and panel builders, maintenance engineers and buyers.



## One Global Offer AND

We will get more products to customers by making 75% of our range available to all our customers across the world without compromising our reliable, high level of service. We will focus on electronics and A&C product categories and will aim to drive a higher return on stock.



## eCommerce with a Human Touch PROVIDING

We will significantly develop eCommerce to acquire customers at a faster rate than before, and our medium-term target remains for 70% of our business to be transacted online. For high-value customers we will deploy our highly skilled sales people to nurture these opportunities. By allocating digital and human resources more effectively we will manage our customer base more profitably.

### Milestones in 2015

- Customer numbers increased by 1% during the year
- An increased focus on adding new contacts within existing accounts
- Provision of a new suite of online sales tools to increase effectiveness of the global sales team
- Step change in new product introductions: over 75,000 new products introduced vs 60,000 in 2014
- 27% of Group's range available globally versus 10% at the start of the year
- eCommerce saw 6% sales growth, and our eCommerce share of revenues rose to 59%
- 24 releases delivered to enhance user experience
- 40,000 search items tuned
- Improved and refreshed technical online content for top 50,000 products
- Search to buy conversion at four-year high

### Focus for 2016

- Continue to target the biggest customer opportunities using customer insight (Spot the Winners)
- Roll out 'Voice of the Customer'-real-time customer feedback
- Embed our suite of commercial tools and our capability programme to drive sales growth
- Work with major suppliers to build a consistent global range of products across RS and Allied
- Implement a global planning tool across RS
- Develop and begin implementation of new product management tool
- Prepare for upgrade to new web platform
- Continue to work on improving search experience
- Further development of website functionality
- Increase spend on digital marketing

### KPIs

- Group sales growth
- Customer numbers growth
- Group sales growth
- Group return on sales
- Headline return on capital employed
- Headline free cash flow as a percentage of sales
- Electronics and A&C sales growth
- Group sales growth
- eCommerce sales growth

### Risks

- Macroeconomic conditions
- Long-term strategic market shifts
- Increasing competition
- Customer acquisition
- Effective management of the range
- Digital transformation
- Long-term strategic market shifts
- Increasing competition
- Health and safety compliance
- Effective management of the range
- Supply chain dependencies
- Foreign exchange volatility
- Breach of regulations leading to prosecution
- Increasing competition
- Customer acquisition
- Cyber risk threat
- Digital transformation

## Value for Money WITH A

We will transform our customers' perceptions of the value we offer them, through the consistent, global execution of our strategy. There will be a step change in how we communicate our value and why this sets us apart from the competition, supported by dynamic pricing.

- Increased capability to monitor prices - up to two million price checks per month
- Introduced faster, more dynamic pricing
- Updated over 15 million prices and improved competitiveness
- Improved pricing communication - 95,000 products were selected for increased communication activity using website flags to highlight price changes

- Continue to improve price monitoring, dynamic pricing and pricing communication
- Maintain focus on gross margin
- Share best practice across RS and Allied

- Group sales growth
- Group return on sales
- Group gross margin



## High Performance Team USING

Our people will ensure the successful delivery of our strategy. Our focus will be on driving a high performance culture that equips our people with the skills and capabilities that they need to achieve our growth ambitions.

- Global HR management system acquired
- Achieved an 80% response rate in the 2015 employee survey, which is up 1% from the 2014 level
- Outsourced recruitment to a global provider leading to efficiencies
- Developed global career structures

- Implement a global HR management system
- Implement global career structures
- Improve organisational capability through implementing global tools and developing clear functional action plans

- Group Lost Time Accident rate

- Recruitment and retention
- Health and safety compliance
- Pension cost increases
- Breach of regulations leading to prosecution



## Business Insight AND

We will increase our capability to turn data into insight and understanding, through consistent global data, improved data tools and a culture where we actively seek new insights.

- Continued to build our business intelligence (BI) resource and establish a central BI capability
- Implemented BI tools for our Offer function generating improved product, inventory and pricing insight to drive forward One Global Offer
- Performance framework in place globally with KPIs cascaded at global, regional and local levels

- Deliver business insight tools for Finance, Sales and Marketing
- Drive more effective insight of product data via BI system
- Begin using a BI system to establish global customer data tools

- Long-term strategic market shifts
- Customer acquisition
- Effective management of the range



## World Class Systems

We will create a world class infrastructure and our systems will be built on a single platform to give us pace and agility. A globally-connected freight network will deliver a fast, reliable service for customers.

- Implemented SAP-based system in Japan, completing the global rollout
- New enterprise architecture foundations have been put in place, which will enable faster change to occur
- Implemented additional environments for testing and systems changes enabling faster change

- Implement a global planning tool across RS
- Prepare for upgrade to new web platform
- Create a services framework for increased pace of change and exposure of customer-facing web services

- Effective management of the range
- Supply chain dependencies
- Cyber risk threat
- Digital transformation

Delivery of the Group strategy and Management change impact all strategic priorities.

# Introduction to our new Group Chief Executive



Watch the video online [www.electrocomponents.com](http://www.electrocomponents.com)

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**Age**  
**44 years old**

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**Hometown**  
**Kingsport, Tennessee**

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## Education

- **BSc, Engineering** (Industrial Distribution), Texas A&M University
- **MBA (Marketing)**, Texas A&M University

## Career history

- **2002 – 2015**  
Future Electronics Inc. - From 2011, Executive Vice President
- **1999 – 2002**  
Solelectron Corporation - Vice President, Materials
- **1994 – 1999**  
TTI Inc. - Director
- **1992 – 1994**  
Texas A&M University - Assistant Lecturer, College of Engineering

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## Skills and experience

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

## Q&A with **Lindsley Ruth**

### What attracted you to Electrocomponents?

**Lindsley:** Electrocomponents is a global market leader in high service distribution with a good reputation for customer service and strong market positions, which I believe can be built upon to significantly improve the performance of the business going forward.

### What is your career background?

**Lindsley:** I have spent much of the last 20 years running and managing global distribution businesses – experiencing similar challenges to those at Electrocomponents. I also have experience working for a supplier so I understand supplier needs. Over my career I have worked in numerous roles from sales, marketing and business development to procurement and supply chain management and I have run extensive international operations. As such, while I consider myself creative on the sales and marketing side of the business, I also have a deep understanding of the operations of distribution and supplier businesses and have experience of executing change programmes.

### You are joining us from Future Electronics, can you tell us about them?

**Lindsley:** Future Electronics is the fourth largest electronics components distributor in the world. It is headquartered in Montreal and has extensive international operations in 42 countries. Future has a reputation for providing outstanding service and developing efficient, global supply chain solutions. The Group has been outperforming industry growth rates in recent years. Its success is built on its commitment to maintain close partnerships with suppliers and customers, coupled with its strength of commercial and technical competencies through all stages of the design-production cycle.

### Why are you the right person to take the strategy forward?

**Lindsley:** From 2011, I was part of the core leadership team which oversaw a significant period of growth and expansion at Future. Over those four years, a strong customer and supplier focus helped reinvigorate sales growth, drive market share gains and improve returns at that business. We also managed a successful international expansion plan during that period. While Future is a volume distributor, it shares many key business characteristics with Electrocomponents and was seeing some similar challenges – I see an opportunity to bring aspects of what I have learnt from my time at Future to my new role. As such, I am extremely excited about driving forward the strategy at Electrocomponents to deliver faster revenue growth, improved profitability and higher returns for shareholders.



### What is your management style?

**Lindsley:** I have a deep understanding of the distribution business and I would say that I have a no-nonsense, hands-on management style. I believe in keeping things simple and creating value for shareholders through delivering outstanding value for both customers and suppliers.

### What are your initial observations?

**Lindsley:** I am more convinced now than I was prior to joining that our business model is not broken – it remains a strong one with the ability to scale. However, I believe the business strategy could be simplified to focus on what matters most – the customer and our performance. My most important priority over the next year will be on simplifying the strategy to get our financial performance back on track whilst putting the customer at the heart of our business. We must improve the customer experience with our organisation. This requires a change in mindset from internal to external focus. How do we improve ease of doing business? How do we improve our service accuracy? How can we help our customers achieve success in their businesses?

Since my arrival, I have been extremely impressed by the quality of people worldwide within the Group. Across the Company I have found many leaders who share my enthusiasm for change and a desire to return the financial performance of the business to where it needs to be. This is extremely motivating as it means I have the right people around me to take a simpler strategy forward and deliver the changes necessary to deliver outstanding performance and drive improved shareholder returns. I will present my comprehensive plans for the business at our half-year financial results in November.

### **Lindsley Ruth**

Group Chief Executive  
21 May 2015

# Creating the right connections with One Global Offer

## Connecting RS and Allied through a more consistent global product range

### Initiative has wide-reaching changes across the Group

Our One Global Offer initiative has a simple objective: to get more products to more customers by making the majority of our range available to all our customers across the world. Over the past year we have furthered our development of a more consistent worldwide product range across our RS and Allied businesses.

Unlike the objective, the programme to achieve it is challenging, but the changes it is making to the Group are wide reaching. Our RS and Allied businesses are working together more closely than ever before, sharing best working practices and product management principles, developing new processes and engaging with one another at all levels to ensure everyone is fully aligned.

In September last year the initiative took another big step forward when it became more automated, which led to an acceleration in the programme.

As a result of this cooperation, the range level-up has exceeded our target for the year with nearly 150,000 products now available to customers globally. By the end of March, 27% of our product offer was available across our Allied and RS markets, up from around 10% at the start of the financial year.

We now have global product ranges with many of our key suppliers, including TE Connectivity, Osram, Phoenix Contact, ST Microelectronics and ON Semiconductor. This has significant benefits for our customers, the Group, and the suppliers themselves, which are profiting from the increased exposure of their products and brands.





# Business and financial review

## FINANCIAL PERFORMANCE

	2015	2014
Sales	<b>£1,266.2m</b>	£1,273.1m
Gross margin	<b>44.6%</b>	45.9%
Headline contribution <sup>1</sup>	<b>£248.3m</b>	£257.9m
Headline Group Process costs <sup>1</sup>	<b>£(163.1)m</b>	£(151.8)m
Headline operating profit <sup>1</sup>	<b>£85.2m</b>	£106.1m
Headline return on sales <sup>1</sup>	<b>6.7%</b>	8.3%
Net interest (expense)	<b>£(5.1)m</b>	£(5.0)m
Headline profit before tax <sup>1, 2</sup>	<b>£80.1m</b>	£101.1m
Headline free cash flow <sup>1</sup>	<b>£52.3m</b>	£58.3m
Headline earnings per share <sup>1</sup>	<b>13.2p</b>	16.3p
Dividend per share <sup>3</sup>	<b>11.75p</b>	11.75p
Net debt to 12 months EBITDA <sup>4</sup>	<b>1.3x</b>	1.1x

1. Headline measures of profitability and cash flow are defined as the relevant reported profit/cash flow measure before the pension credit and reorganisation costs/cash flows. Fewer trading days and currency movements decreased headline profit before tax by £8 million
2. Reported 2015 full-year headline profit before tax of £80.1 million would be £5 million lower if translated at the foreign exchange rates as at 15 May 2015
3. 2015: comprises 5p interim and 6.75p proposed final dividend
4. EBITDA: Headline earnings before interest, tax, depreciation and amortisation (inc. government grants)

## Sales

Group sales were £1,266.2 million. Reported revenues were down 0.5%, with fewer trading days and adverse currency movements decreasing Group reported sales by around 4% (£50 million). Underlying sales adjusted for trading days and currency were up 3.5%. Growth was driven by International revenue growth of 6% which more than offset a decline in UK revenues of 2%. eCommerce sales grew 6% and during the year eCommerce represented 59% of Group revenues.

## Gross margin

Group gross margin at 44.6% was down 1.3% points on the prior year. 0.5% of the gross margin decline reflected mix effects, whereby growth was faster in lower-margin geographies, such as North America and lower-margin categories such as semiconductors. The other 0.8% points of decline related to two factors; first we saw a negative impact from transactional foreign exchange of about 0.4% points during the year, due primarily to Euro weakness and US Dollar strength versus Sterling. The final 0.4% points of decline primarily reflected increased discounting. This relates to an initiative to drive corporate account sales in regions such as the UK and Asia supported by selective discounting.

We have revised the accounting treatment on rebates from vendors relating to volume of purchases made, which are included in gross margin in accordance with IAS 2. Previously the Group recognised rebates only once cash was received. These will now be recognised on an accruals basis; when there is binding arrangement, the amount can be reliably estimated and receipt is probable. The change in recognition has had no material impact on the full-year results, but would result in the earlier recognition of £1.6 million of rebates in our half-year financial report for the period to 30 September 2014. The £1.6 million increase in operating profits will be shown in restated comparatives with the 2016 half-year financial report.

## Costs

Headline operating costs (which include process costs and local costs) increased by 3.6% at constant exchange rates (less than 1% at reported). This increase was driven by inflationary rises in labour costs and investment in our strategic initiatives. This year the key strategic focus has been on driving the One Global Offer and eCommerce with a Human Touch initiatives, which has led to significant investment in systems with the focus being on the completion of the global SAP rollout, enhancements to our website and development of our global planning tool. Costs have been impacted by increased depreciation associated with this higher level of capital expenditure to drive strategic initiatives and there have also been additional costs associated, in particular with the One Global Offer initiative. Headline operating costs as a percentage of sales were 38%, in line with the previous year.

## Headline profit before tax

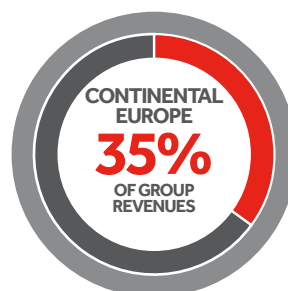
Headline profit before tax was £80.1 million, a decrease of £21.0 million, or 21%, on the prior year. International contribution was down £0.9 million, on a reported basis, with positive revenue momentum and good regional cost control offset by a decline in the gross margin and negative foreign exchange movements. The UK contribution was down £8.7 million, driven by revenue declines, lower gross margins and the impact of negative operational gearing. Process costs increased by £11.3 million, which reflected labour inflation, the additional IT investments and depreciation associated with the implementation of the global strategy. Interest costs remained broadly stable at £5.1 million. There was a combined negative impact to Group headline profit before tax of £8 million from both fewer trading days of £2 million and adverse currency movements of £6 million due to translational impacts (principally the strengthening of Sterling against the Euro). This accounted for 8% points of the 21% full-year reported headline profit before tax decline. Reported 2015 full-year headline profit before tax of £80.1 million would be £5 million lower if translated at the foreign exchange rates as of 15 May 2015.



## BUSINESS REVIEW



- 6% revenue growth
- 56% eCommerce share
- 3,500 full-time equivalent employees



- 4% revenue growth
- 71% eCommerce share
- 1,600 full-time equivalent employees

### International

	2015	2014	Growth reported	Growth underlying <sup>1</sup>
Sales	<b>£902.4m</b>	£898.8m	0.4%	6.1%
Gross margin	<b>42.5%</b>	44.1%		
Operating costs	<b>£(234.0)m</b>	£(246.2)m	(5.0)%	0.1%
Contribution <sup>2</sup>	<b>£149.5m</b>	£150.4m	(0.6)%	5.9%
Contribution % of sales <sup>2</sup>	<b>16.6%</b>	16.7%		

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

2. Headline contribution

The International business represents 71% of Group sales and comprises three regions: Continental Europe (49% of the International business), North America (34%) and Asia Pacific (17%).

During the year underlying sales increased 6.1% with an acceleration in the second half to 7% versus the 5% growth seen during the first half driven by a pickup in growth in Europe. Within International, North America saw strong growth of 10%, while Europe and Asia Pacific both grew by 4%. Our emerging markets continued to deliver good sales growth, particularly in Eastern Europe and South East Asia.

Gross margin reduced by 1.6% points. This reduction was driven by geographic mix (due mainly to faster growth in North America), product mix (due mainly to faster semiconductors growth), foreign exchange and increased discounting in certain markets, particularly Asia Pacific.

Operating costs at constant currency increased by 0.1% with fixed cost inflation offset by benefits driven by management reorganisation in Asia and the restructuring of the Chinese salesforce.

Overall International headline contribution increased by 5.9% on an underlying basis; the positives of higher sales growth and cost leverage were partially offset by the reduction in the gross margin. International headline contribution as a percentage of sales remained broadly consistent at 16.6% (2014: 16.7%).

### Continental Europe

	2015	2014	Growth reported	Growth underlying <sup>1</sup>
Sales	<b>£447.3m</b>	£460.6m	(2.9)%	4.4%
Contribution <sup>2</sup>	<b>£95.7m</b>	£99.4m	(3.7)%	4.0%
Contribution % of sales <sup>2</sup>	<b>21.4%</b>	21.6%		

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

2. Headline contribution

Our business in Europe operates in 15 markets. The largest of these are France, Germany and Italy, which together comprise around 70% of sales in the region. The remaining are Austria, Belgium, Czech Republic, Denmark, Hungary, Republic of Ireland, Netherlands, Norway, Poland, Spain, Sweden and Switzerland.

Continental Europe delivered underlying sales growth of 4.4% in the full year. The rate of growth accelerated as the year progressed with the region delivering sales growth of 7% in the second half of the year despite still weak PMIs in a number of territories. All markets contributed to this strong performance. France, our largest European market, responded well to the management action plan implemented in the first half which focused on improved website conversion and larger corporate accounts and this market returned to growth in the second half of the year. The other larger markets of Germany and Italy also grew well. Meanwhile, smaller markets such as Benelux, Spain and Eastern Europe demonstrated strong growth.

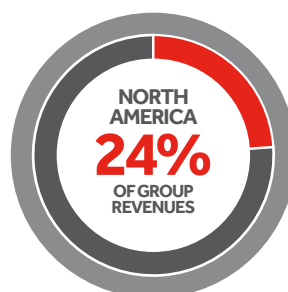
eCommerce sales grew by 8% in the year, well above the regional growth rate. Europe is the region with the highest eCommerce penetration at 71% (2014: 69%). This is the first of our regions to exceed the Group's 70% eCommerce sales target. Increased search engine marketing and enhancements to our websites have made the process of finding products clearer, faster, and easier and have supported this strong performance.

# Business and financial review

## continued

The region made progress in expanding its portfolio of large customer accounts, leveraging the Group's strong product and service offer and leading eProcurement solutions, and sales to large customers grew faster than the overall customer base in the region. During the full year we added eight new corporate accounts, extended a further eight corporate account deals and renewed 17 more.

The 4% increase in underlying contribution represents the benefits of sales growth and cost leverage, which more than offset the impact of lower gross margins in the region. The contribution margin was broadly consistent at 21.4% (2014: 21.6%).



- 10% revenue growth
- 41% eCommerce share
- 800 full-time equivalent employees



### North America

	2015	2014	Growth reported	Growth underlying <sup>1</sup>
Sales	<b>£302.7m</b>	£281.3m	7.6%	10.0%
Contribution <sup>2</sup>	<b>£41.9m</b>	£39.1m	7.2%	8.8%
Contribution % of sales <sup>2</sup>	<b>13.8%</b>	13.9%		

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

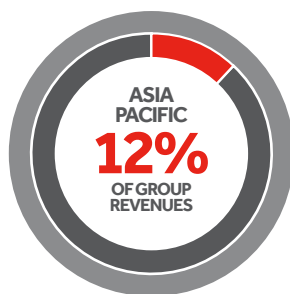
2. Headline contribution

Allied, our North American business, reported underlying sales growth of 10.0%. Growth was driven by strong sales of automation and control products as our US business benefited from new product introductions, the global level-up initiative and strong growth in eCommerce sales. The market backdrop was also helpful, with the US manufacturing PMI consistently above the neutral 50 reading during the period.

Allied's product range has been enhanced by the addition of 13,000 stocked new products, and a much larger number of non-stocked new products, which include a further 67,000 products from the RS range that have been made available to Allied's customer base as part of the global product level-up programme. The high levels of interaction between Allied's salesforce and product management teams and their key suppliers has also led to more targeted joint sales visits and marketing campaigns with key suppliers which aided performance. eCommerce sales growth was 16% with eCommerce representing 41% of Allied's sales, up 2% points on the prior period.

The increase in underlying headline contribution of 9% was held back by higher health insurance costs and additional investment in search engine marketing costs such that overall contribution as a percentage of sales remained broadly consistent at 13.8% (2014: 13.9%).





- 4% revenue growth
- 50% eCommerce share
- 1,100 full-time equivalent employees



- 2% revenue decline
- 63% eCommerce share
- 2,700 full-time equivalent employees

## Asia Pacific

	2015	2014	Growth reported	Growth underlying <sup>1</sup>
Sales	<b>£152.4m</b>	£156.9m	(2.9)%	3.6%
Contribution <sup>2</sup>	<b>£11.9m</b>	£11.9m	–	10.2%
Contribution % of sales <sup>2</sup>	<b>7.8%</b>	7.6%		

1. Adjusted for currency; sales also adjusted for trading days
2. Headline contribution

Our Asia Pacific business is the region's market leader and comprises four similarly-sized sub-regions: Australasia, Greater China, Japan and South East Asia.

Underlying sales in the region grew 3.6% in the year. Greater China continued to perform well during the period. Japan saw a slowdown from the first half rate of growth due to some short-term sales disruption as the business transitioned to the new SAP-based IT system in October, however, pleasingly this region saw some recovery in the final quarter. Sales in South East Asia continued to grow. Meanwhile, sales in Australasia saw modest declines in the full year as the region continued to suffer from weak manufacturing PMIs and a decline in the resources sector.

Sales in the region were driven by strong growth in electronics products. eCommerce revenue grew by 4% and represented 50% of sales in the region.

Over the last few years Asia Pacific has successfully grown its corporate account business, utilising best practice from the UK and Continental Europe, and during the period there were continued corporate account wins across the region. Following the reorganisation of the salesforce in Greater China during the period, the region is well placed to drive further growth in corporate accounts.

Asia Pacific saw 10% growth in underlying headline contribution, as sales growth and lower costs following restructuring more than offset the impact of lower gross margins due primarily to product mix and discounting. Headline contribution margins rose to 7.8%(2014: 7.6%).

## UK

	2015	2014	Growth reported	Growth underlying <sup>1</sup>
Sales	<b>£363.8m</b>	£374.3m	(2.8)%	(2.4)%
Gross margin	<b>49.8%</b>	50.0%		
Operating costs	<b>£(82.5)m</b>	£(79.8)m	3.4%	3.4%
Contribution <sup>2</sup>	<b>£98.8m</b>	£107.5m	(8.1)%	(8.1)%
Contribution % of sales <sup>2</sup>	<b>27.1%</b>	28.7%		

1. Sales adjusted for trading days
2. Headline contribution

Our UK business is the largest high service distributor in the UK supported by 16 locally-stocked trade counters located in the UK's industrial hubs. The UK business reported underlying sales decline of 2.4%.

The UK market environment remains difficult for us, as it does for some other companies operating in our market, however, we do not consider the current performance to be acceptable and returning the UK business to revenue growth remains a key focus for management as we look into 2016. Following a review of the business' sales performance, changes were made to sales management early in the year and since then the business has built a plan to improve performance. Our UK action plan is primarily focused on improving performance in three areas: corporate accounts, tools and consumables and online conversion, which we set out in more detail below:

**Corporate accounts:** During the year we have been selectively using discounting to win back corporate account business. The UK corporate account team secured a number of major new corporate accounts during the year including wins with Rolls Royce, Dematic, Autoneum and Honeywell. Early signs are encouraging and we have seen some improvement in this area, however, the medium-sized accounts still remain difficult and this is an area we will increasingly focus on as we move into 2016.

**Tools and consumables:** We have increased marketing intensity and focused on price perception and new product introduction, the scale of which will be extended during 2016.

# Business and financial review

## continued

**Online conversion:** Considerable work has gone into improving our online customer experience during the year. There have been 24 releases aimed at improving the online user experience, significant enhancements to our online technical content, and investment in search tuning to improve the search results for over 40,000 search terms. This investment is leading to improved conversion levels but not yet revenues.

eCommerce outperformed the overall UK business being flat on the prior year. eCommerce contributed 63% of the UK business, up 1% point on the prior year.

The UK gross margin fell by 0.2% points; negative foreign exchange impacts and discounting to drive corporate account business were offset by favourable product mix. Overall, the UK's headline contribution decreased by 8.1% during the year due to sales declines and inflationary increases in regional operating costs. Overall, the UK headline contribution as a percentage of sales fell 1.6% points year on year to 27.1%.

### Processes

	2015	2014	Change reported	Change underlying <sup>1</sup>
Process costs <sup>2</sup>	<b>£(163.1)m</b>	£(151.8)m	(7.4)%	(9.4)%
Costs % of sales <sup>2</sup>	<b>(12.9)%</b>	(11.9)%		

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

2. Headline process costs

The processes principally comprise our teams that manage our Group-wide Marketing, Offer and IT activities, together with Group management and head office costs. These processes have responsibility for the identification, introduction and sourcing of products, managing supplier relationships, developing marketing strategy and its implementation, managing stock and overseeing worldwide IT infrastructure across the Group.

Headline process costs rose 9% at constant currency, primarily reflecting the impact of inflationary type rises in labour costs and additional IT costs, including depreciation, of £6.4 million related to the systems investment required to drive our global strategy. IT investments made during the year included the rollout of SAP in Japan, new enterprise architecture foundations, development of the new web platform and investment in our global planning tool.

One of the factors driving the cost is the expansion of our supplier network during the period, with new global partnerships signed with ROHM Semiconductor, FCT and PR electronics and relationships extended with many others. RS added around 62,000 new products in the period, and 13,000 stocked products in Allied. 27% of our product range is now available to customers around the world, up from 10% at 31 March 2014.

## FINANCIAL REVIEW

### Reported profit before tax

Reported profit before tax, which is headline profit before tax after reorganisation costs and pension credits was £16.0 million higher than headline profit before tax at £96.1 million due to a non-cash pension credit of £20.4 million partially offset by reorganisation costs of £4.4 million. The non-cash pension credit of £20.4 million has arisen as a result of changes made during the period to the benefits accruing to members of the UK defined benefit scheme, more details of which are included in the Pension section below. During the period, there was also a restructuring of the sales teams in both Asia Pacific and the UK, and we announced the closure of warehouses in Austria, Hong Kong and Spain, and trade counters in Australia, which resulted in reorganisation costs of £4.4 million. The above reorganisations are expected to have a payback of around one year.

### Taxation

The Group's effective tax rate was 28% of headline profit before tax, 1% point lower than the prior year, primarily reflecting the reduction in the UK corporate tax rate. The effective tax rate on reported profit before tax was 27%. The effective tax rate was higher than the cash tax rate of 27% of headline profit before tax. We expect the cash tax rate and the effective tax rate to converge as prior-year tax losses are utilised.

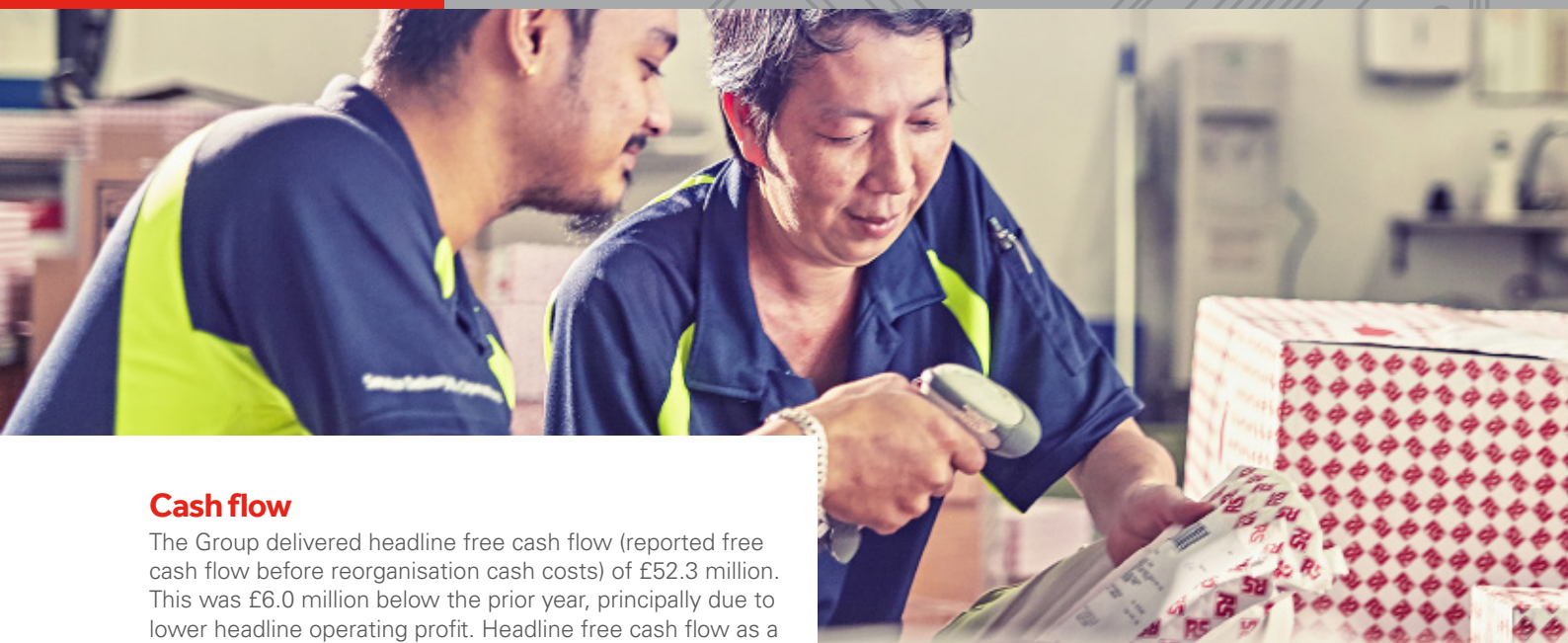
The Group's tax strategy continues to seek to ensure that key tax risks are appropriately mitigated, that appropriate taxes are paid in each jurisdiction where the Group operates, and that the Group's reputation as a responsible taxpayer is safeguarded. We are committed to having a positive relationship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

### Headline earnings per share

Headline earnings per share of 13.2p decreased by 19%. This was slightly below the decrease in headline profit before tax, reflecting the decrease in the effective tax rate.

### Dividend

The Group has a strong balance sheet and the Board recognises the importance of dividends to shareholders and therefore proposes a maintained final dividend of 6.75p per share. This will be paid on 28 July 2015 to shareholders on the register on 26 June 2015. As a result, the total proposed dividend for the financial year will be maintained at 11.75p per share, resulting in headline earnings dividend cover of 1.1 times.



## Cash flow

The Group delivered headline free cash flow (reported free cash flow before reorganisation cash costs) of £52.3 million. This was £6.0 million below the prior year, principally due to lower headline operating profit. Headline free cash flow as a percentage of sales was 4.1%, 9% below the 2014 level but within our target range of 4% to 6%.

Stock turn improved to 2.5x for the full year from 2.4x at the half year, but was down from the 2.7x in 2014 reflecting investment in inventory and the accelerated rate of new product introductions as part of the global growth initiatives. We expect to maintain the stock turn next year at around 2.5x.

Net capital expenditure increased by £1.9 million to £37.5 million from £35.6 million. During the year we rolled out SAP-based IT systems in Japan completing the global rollout of SAP across our business, continued to invest in enhancements to our website and in Offer systems supporting our One Global Offer initiative.

Next year we expect capital expenditure to be around £35 million, consistent with the planned investment in our global strategy. In 2016 we plan to implement a global planning tool enabling a more consistent global offer across RS and Allied and prepare the upgrade to our web platform.

## Financial position

At 31 March 2015 net debt was £152.6 million. This was £9.0 million higher than last year. While the dividend was covered by headline cash flow, the £3.3 million cash outflow relating to exceptional items and foreign exchange translation movements were the key reasons for the increase in debt. In August 2014 the Group signed a new c. £172 million syndicated multicurrency facility from eight banks, maturing in August 2019. This facility, together with the Group's \$150 million of US Private Placement (PP) notes, provides the majority of the Group's committed debt facilities and loans of £263.4 million, of which £105.3 million was undrawn at 31 March 2015.

The PP notes are split, \$65 million maturing in June 2015 and \$85 million maturing in June 2017, and cross currency interest rate swaps have swapped \$60 million of the PP notes from fixed US Dollar to floating Sterling and \$40 million from fixed US Dollar to floating Euro, giving the Group an appropriate spread of financing maturities and currencies. With the repayment of the \$65 million PP notes due in June 2015, the Group has agreed to issue \$100 million of fixed rate five year PP notes with completion dates in June 2015, subject to

satisfaction of customary closing conditions. These notes will be due for repayment in June 2020.

The Group's financial metrics remain strong with EBITA interest cover of 20.5x and Net Debt to EBITDA of 1.3x times (both measures are based upon 12 months ended 31 March 2015 financials) leaving significant headroom to the Group's banking covenants.

## Return on capital employed

Return on capital employed reduced to 16.4% during the year (2014: 20.9%). This was below our target range of 20% to 30%, with the reduction reflecting the decline in headline profits.

## Pension

The Group has material defined benefit schemes both in the UK and Europe. The UK scheme is by far the largest. All these schemes are closed to new entrants and in Germany and Ireland the pension schemes are closed to accrual for future service. Under IAS 19, the combined gross deficit of the Group's defined benefit and retirement indemnity schemes was £60.4 million at 31 March 2015 (UK deficit: £47.2 million; overseas schemes deficit: £13.2 million).

In order to mitigate the increase in the UK deficit and improve the future strength of the UK defined benefit pension scheme, the Company consulted with active members of the scheme regarding changes to benefits. These changes were to exclude all future increases to base pay from pensionable earnings used to calculate defined benefit pensions and increasing member contributions. These changes resulted in a one-off non-cash pension credit of £20.4 million being recognised in the period which has been excluded from headline profit. In addition, last year the Group agreed a new deficit recovery plan with the Trustees of the scheme, with payments totalling £24.4 million over the next seven years, with £1.3 million due this financial year and £2.6 million next financial year. Despite these changes, the UK deficit has increased to £47.2 million at 31 March 2015 (2014: £33.7 million). This increase is principally due to discount rates falling by 1.2% points, although this has been partially offset by a slight fall in the expected rate of inflation and positive returns on scheme assets.

# Creating the right connections eCommerce with a Human Touch

## Connecting with and listening to our customers to enhance our eCommerce offer

### Transforming the user experience on our website

To achieve our medium-term target for 70% of our business to be transacted online, we need to continually improve the eCommerce experience for our customers all over the world. Connecting with and listening to them and monitoring how they interact with us on our website are key to our understanding of how we can achieve this.

Over the past year we have successfully transformed the product search, purchase and tracking facilities on our website to improve customer satisfaction and increase traffic conversion. With 60 websites, mostly in local languages, and around 500,000 products at over 10 million price points, this is a significant achievement.

The transformation of the user experience has been focused on improving the speed, efficiency and ease of finding and buying a product on our website, and was guided at every step by customer feedback and behaviour.

Analysis of the extensive global data we collect identified the key concerns and frustrations our customers had on their online journey. By implementing an Agile method of working, we achieved unprecedented levels of collaboration across the business to introduce and test the enhancements we made, enabling rapid improvements to the website.





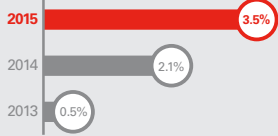





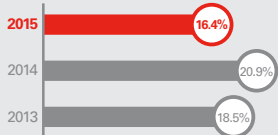

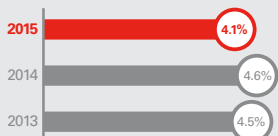
The transformation resulted in significant benefits to sales performance and customer satisfaction while also revolutionising our working culture. Our investment in improving our eCommerce offer has driven our search and buy conversion growth to a four-year high.

The initiative won us the 'Customer and User Experience' award at The Digitals 2014. At the National Business Awards 2014 we were named UKTI Digital Business of the Year for our use of digital technologies in providing true value to customers and suppliers.





# Key performance indicators

Priority	Financial KPIs	Definition	Performance
   	<b>Group sales growth</b> <ul style="list-style-type: none"> <li>We are targeting an average Group sales growth rate of 5% to 8% per annum, which compares with our historical average of 4%.</li> </ul>	Underlying sales growth, adjusted for trading days and currency movements.	 <p><b>Below target range, reflecting a disappointing performance in the UK.</b></p>
 	<b>Group return on sales</b> <ul style="list-style-type: none"> <li>We are targeting a through-the-cycle Group operating margin range of between 9% and 11%, which would represent an improvement on our historical performance of 7% to 10% (adjusted to reflect a 75:25 International:UK sales mix).</li> <li>Our targets also assume that Group gross margin will reduce by around 2% points over the medium term as we grow faster in lower-margin technologies and countries.</li> </ul>	Headline operating profit expressed as a percentage of sales.	 <p><b>Well below the target range of 9% to 11% due to the decline in the gross margin and investment in the strategy.</b></p>
 	<b>Return on capital employed</b> <ul style="list-style-type: none"> <li>We are targeting to raise the Group's return on capital employed to between 20% and 30% (vs 15% and 25% historically) as the benefits of faster sales growth and continued strong cash generation are realised.</li> </ul>	Headline operating profit expressed as a percentage of net assets plus net debt.	 <p><b>Below the targeted 20% to 30% range, reflecting the disappointing profits performance.</b></p>
	<b>Free cash flow as a percentage of sales</b> <ul style="list-style-type: none"> <li>We are targeting medium-term Group headline free cash flow to range between 4% and 6%.</li> </ul>	Headline free cash flow is reported free cash flow before reorganisation cash flows. This is expressed as a percentage of Group sales.	 <p><b>9% below the 2014 level but within our target range.</b></p>



**Grow Target Customers**



**One Global Offer**



**eCommerce with a Human Touch**



**Value for Money**



**High Performance Team**



**Business Insight**



**World Class Systems**

Priority	Operational KPIs	Definition	Performance
  	<p><b>Growth in customer numbers</b></p> <ul style="list-style-type: none"> <li>In order to achieve our Group sales growth target we will need to increase both corporate customer numbers and our sales to existing customers.</li> </ul>	<p>Percentage increase in number of corporate customers placing an order during the year.</p>	<p><b>1.3% growth in corporate customer numbers was below the 3% growth seen in 2014.</b></p>
	<p><b>Group eCommerce sales growth</b></p> <ul style="list-style-type: none"> <li>For the Group to deliver its sales growth target and achieve its medium-term growth ambitions it will need to continue to successfully grow its eCommerce business. We expect that the eCommerce sales growth rate should consistently exceed the Group sales growth rate.</li> </ul>	<p>Growth in Group eCommerce sales.</p>	<p><b>Group eCommerce sales growth was 6%, similar to the prior year.</b></p>
	<p><b>Electronics and A&amp;C product sales growth</b></p> <ul style="list-style-type: none"> <li>We expect that the sales growth rate of our electronics and A&amp;C product ranges should consistently exceed the Group sales growth rate.</li> </ul>	<p>Growth in electronics and A&amp;C product sales.</p>	<p><b>Electronics and A&amp;C product sales growth was 5%. This was above Group sales growth of 3.5%.</b></p>
	<p><b>Group gross margin</b></p> <ul style="list-style-type: none"> <li>A key component of the Group's medium-term return on sales target is the delivery of a broadly stable Group gross margin, before allowing for product or geographical mix effects and currency movements.</li> <li>After allowing for mix effects, we expect Group gross margin to reduce by around 2% points over the medium term.</li> </ul>	<p>Group gross profit expressed as a percentage of Group sales.</p>	<p><b>Group gross margin was below our expectations. The 1.3% decline reflected mix, negative foreign exchange impacts and selective discounting.</b></p>
 	<p><b>Group Lost Time Accident rate</b></p> <ul style="list-style-type: none"> <li>We are targeting an ongoing reduction in the rate at which time is lost due to our employees suffering accidents in the workplace.</li> </ul>	<p>Number of Lost Time Accidents per 200,000 hours worked.</p>	<p><b>The Lost Time Accident rate is 0.29 for 2015, down from 0.42 in 2014.</b></p>

# Principal risks and uncertainties

## Managing our risks effectively.

The Group has well-established risk management and internal control processes for the identification, assessment and management of strategic, operational, and financial and compliance risks likely to affect the achievement of the Group's corporate objectives and business performance.

### The risk management process

The Board has overall responsibility for the risk management process, with the effectiveness of the process being reviewed annually through the Audit Committee. The Group Executive Committee (GEC) is accountable for the identification and management of risks and their mitigation to the achievement of corporate objectives.

The GEC conducts a formal review of the potential risks to the Group's strategic objectives and operational functions at the start of the financial year. This review prioritises the risks relative to the Group's risk tolerance limits, and allocates responsibility for their management.

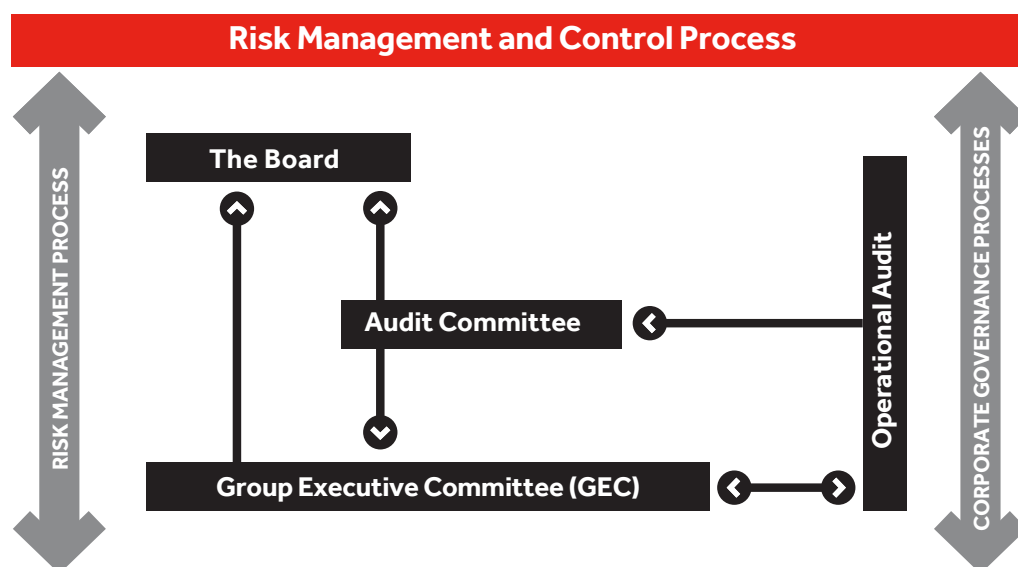
The Board's review of the principal risks requires the responsible management to present its analysis of the risk to the Board, including the mitigating controls and the assessment of the residual risk relative to the inherent risk

exposure. This mechanism allows the Board to determine whether the analysis provides assurance that the actions taken by management are sufficient to mitigate the risk.

The Group applies a common risk assessment approach to the identification, assessment and management of risks. This includes common measures of impact and likelihood, and the requirement to determine whether the residual risks are acceptable given mitigating actions or whether additional actions are required. This consistency of approach provides for consistent analysis and reporting of new or developing risks throughout the management line.

The major markets of the UK, USA, France, Germany and China undertake biannual risk reviews which include the review of Group principal risks and additional country-specific risks. All other operational businesses complete an annual risk and controls self-assessment. Both approaches feed into the Group's risk profile that is reviewed by the GEC and the Audit Committee as part of the annual risk review. The outputs from the process are factored into the audit plan to focus audit testing on the key controls in the business.

### Risk management responsibilities



See page 56  
for Governance



Principal risks and uncertainties

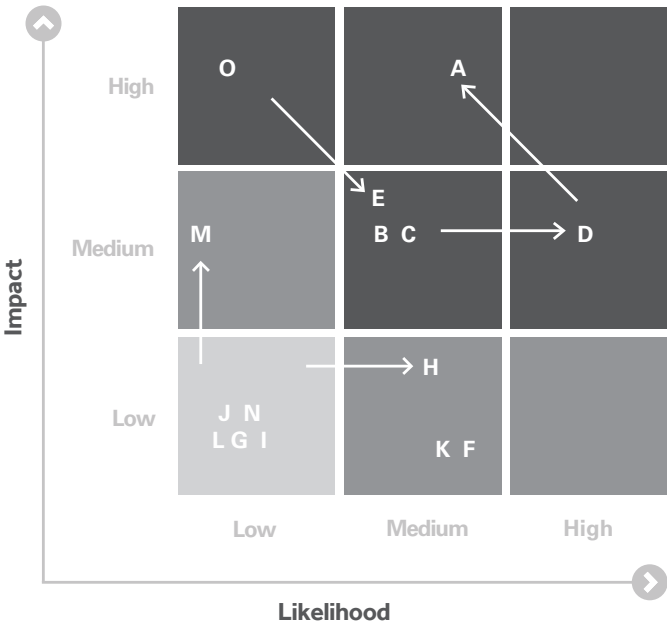
The following tables present the principal risks identified to the achievement of the Group’s strategic objectives through the process described above.

Each principal risk is presented with an assessment of their residual risk which is reviewed by the Board and GEC, with a description of the risk and the principal mitigating activities in place. Each of these risks is allocated to a GEC level risk owner, who, as described above, can be required to present the risk to the Board if required.

Look out for these icons:

- Risk increasing
- Risk decreasing
- Risk stable
- New risk

Principal risks  
Electrocomponents risk map 2015



- A Delivery of Group strategy
- B Macroeconomic conditions
- C Long-term strategic market shifts
- D Increasing competition
- E Customer acquisition
- F Recruitment and retention
- G Health and safety compliance
- H Pension cost increases
- I Effective management of the range
- J Supply chain dependencies
- K Foreign exchange rate volatility
- L Cyber risk threat
- M Digital transformation
- N Breach of regulations
- O Management change

New risks for 2015: O

# Principal risks and uncertainties

## Risks

### Delivery of the Group strategy (A)

#### Impact

The Group's strategic objectives require close management and coordination to be delivered effectively.

The risk is that the Group's resources and capabilities may be challenged by the scale and complexity of what is required. Particular risks include insufficient internal expertise, competition for key resources and unanticipated interdependencies or events disrupting programme delivery.

#### Key mitigations

- Clearly defined business objectives and strategic priorities
- Timely recruitment of a successor to the Group Chief Executive with strong international and sector experience
- Annual strategic planning process assessing how projects are delivered and prioritising resource allocation to ensure successful delivery

#### Cross reference with strategic priorities:



### Macroeconomic conditions (B)

#### Impact

Global economic conditions remain unstable and vulnerable to major shocks such as a further banking crisis or sovereign debt defaults. The Group's sales and profits could be exposed by a worsening of global economic conditions and a loss of business confidence.

#### Key mitigations

- Strongly cash generative business
- Significant headroom maintained on banking covenants and facilities
- Strong balance sheet
- Tight cost management and control of stock

#### Cross reference with strategic priorities:



### Long-term strategic market shifts (C)

#### Impact

Fundamental shifts in the external environment challenge key assumptions upon which the Group strategy is based. The risk relates to the forward looking analysis of the future environment and the implications of market or structural shifts for the strategy and its delivery.

#### Key mitigations

- Annual strategic planning process to assess external market changes
- Strategy functions in place to monitor and review challenges to strategic assumptions, e.g. applying scenario analysis to review risks
- Strategic reviews with Board and GEC

#### Cross reference with strategic priorities:



### Increasing competition (D)

#### Impact

New and existing competitors have a negative impact on our growth strategy by closing the service gap and offering improved service standards and value propositions.

#### Key mitigations

- Ongoing review of the competitive environment and developing threats
- Dynamic pricing strategy
- Range globalisation
- Maintaining high service levels globally through the use of customer surveys

#### Cross reference with strategic priorities:



**Customer acquisition (E)****Impact**

The business does not attract sufficient numbers of new customers, and is unable to develop new and existing customer behaviour to increase order frequency at a sustained level to meet strategic objectives.

**Key mitigations**

- Multi-channel marketing acquisition and development campaigns to increase customer spend
- Joint sales and marketing programmes to reduce customer lapse rates and increase Average Order Frequency (AOF)
- Investment in web and social media to build brand awareness

**Cross reference with strategic priorities:****Recruitment and retention (F)****Impact**

The business is unable to attract and retain high performing employees which could impact the capability to deliver the Group strategy as well as maintaining day-to-day operations.

**Key mitigations**

- Development of existing employee competencies, and the introduction of external expertise where appropriate
- Employee appraisal processes to align personal objectives with the Group strategy
- Employee engagement programmes built around global behaviours to support high performance

**Cross reference with strategic priorities:****Health and safety compliance (G)****Impact**

Failure to comply with local health and safety regulations leads to the death or serious injury of an employee or third party. There is a risk of significant financial penalty and/or imprisonment of Directors and senior managers.

**Key mitigations**

- Global health and safety performance targets set with regular reviews undertaken by the GEC and Board
- Head of Global Health and Safety leading the development and implementation of Group health and safety strategy

**Cross reference with strategic priorities:****Pension cost increases (H)****Impact**

There is an increase in the scheme liabilities and a reduction in the value of assets of the UK defined pension scheme.

The risk is that the Company is required to contribute increased cash sums to address the scheme deficit, which increases the costs on the income statement.

**Key mitigations**

- Quarterly reviews of the pension scheme funding position
- Joint Trustee/Company working group to review investment strategy
- Consultation with scheme members on future individual funding options for defined benefits scheme

**Cross reference with strategic priorities:**

# Principal risks and uncertainties

## Risks continued

### Effective management of the range (I)



#### Impact

The ongoing development of the range with shortening product life cycles potentially increases the exposure of the business to higher levels of stock obsolescence as well as operational capacity constraints.

#### Key mitigations

- Range globalisation project to drive availability of key vendor ranges across Group markets
- Monitoring and analysis of new product developments to identify high potential products
- Product life cycle performance monitoring
- Contractual arrangements with key suppliers on stock purchasing and product buy-back

#### Cross reference with strategic priorities:



### Supply chain dependencies (J)



#### Impact

An unplanned event impacts one or more elements of the end to end transactional process resulting in a significant impact to customer service.

#### Key mitigations

- Highly resilient IT systems infrastructure featuring operational redundancies and off-site disaster recovery provision
- Largest five warehouse locations all protected to 'Highly Protected Risk' category
- Business continuity plans in place at operational locations with tests scheduled annually

#### Cross reference with strategic priorities:



### Foreign exchange volatility (K)



#### Impact

Foreign exchange volatility increases uncertainty in business planning, product procurement costs and profit and loss exposures.

#### Key mitigations

- Forward contracts used against planned expenditure
- Increased purchasing of stock in Euros and US Dollars to mitigate transaction and translation risks
- Treasury Committee sets agreed risk tolerance levels

#### Cross reference with strategic priorities:



### Cyber risk threat (L)



#### Impact

There is a direct targeted attack on Group systems and data with the potential for loss of confidential information, and an undetected attack using advanced techniques to disrupt the website.

#### Key mitigations

- Anti-virus software to protect business PCs and laptops
- Procedures to update vendor security patches to servers and clients
- Firewalls to protect against malicious attempts to penetrate the business IT environment
- IT control reviews to consider the security implications of IT changes

#### Cross reference with strategic priorities:



**Digital transformation (M)****Impact**

As customer behaviour continues to change and becomes more digital in the multi-channel world, the Group fails to accelerate its rate of digital transformation on every aspect of the operating model.

**Key mitigations**

- Implementation of a new web platform with capabilities for faster speed of change
- Accelerated onsite search tuning activities
- Improved search engine visibility
- Agile ways of working to support faster development of our web platform

**Cross reference with strategic priorities:****Breach of regulations leading to prosecution (N)****Impact**

Failure to comply with international, regional and local legislation leads to prosecution and financial penalties e.g. by contravention of product compliance regulations, environmental regulations, bribery and corruption, competition law and corporate governance regulations.

**Key mitigations**

- Ongoing review of relevant national and international compliance requirements
- Group-wide training for senior leadership team in bribery and corruption and competition law requirements
- Operational audit reviews of local governance requirements and compliance arrangements

**Cross reference with strategic priorities:****Management change (O)****Impact**

Changes in senior management do not deliver a significant improvement in the performance of the business.

**Key mitigations**

- The Board was clear on the skills, qualities and experience required for the new Group Chief Executive
- Significant due diligence on candidates' previous experience and performance undertaken as part of the candidate selection process
- Use of external specialist search consultants
- Well-structured interview process

**Cross reference with strategic priorities:**

# Creating the right connections with our suppliers

## Connecting with Phoenix Contact to deliver a global sales and marketing campaign

### Commercial collaboration works to meet customer needs

Phoenix Contact is one of our global strategic suppliers for automation and control products. A global market leader and innovator in electrical engineering and automation, the company has its own production sites in ten countries, over 14,000 employees, and revenues of 1.77 billion Euros in 2014.

Last year, we joined forces to undertake a global sales and marketing campaign, which focused on our maintenance engineer and buyer customer groups within factory automation.

Our sales, marketing, and offer teams across 30 countries worked closely with Phoenix Contact to provide targeted products and solutions for planned maintenance work, saving customers time and money.

The campaign included sales call-out activities and the development of supporting product brochures, website promotions and emails.

Over three months, around 10,000 customers were contacted, resulting in double-digit sales growth with Phoenix Contact for the period.

The campaign demonstrated the power of working more closely with our key suppliers to help meet our customers' needs, and significantly benefited our relationship with Phoenix Contact.

Frank Stührenberg, Chief Executive Officer at Phoenix Contact, commented: "We are always keen to work more closely with our distributors to help customers and drive sales, and this initiative was a great success. Joint campaigns are a real opportunity to improve our brand and product recognition in the marketplace and to gain invaluable insight into the customer base."

Building on the success of this initiative, similar campaigns with other strategic suppliers have been implemented to help maximise the sales potential of key products with our target customer groups.





# Managing our responsibilities

Corporate responsibility (CR) is an integral part of our business and we strive to align our values and strategy with responsible and ethical business policies and practices. We embrace responsibility for the Company's actions and through our activities encourage a positive impact on our environment, consumers, employees, communities and other stakeholders. Our Group Chief Executive is the Director responsible for CR, and the Board monitors CR matters across the Group's business operations.

We have identified the following CR risks as having the greatest potential impact on our business and key stakeholders: waste and recycling; packaging and paper; water usage; emissions; health and safety; and employee and community engagement. We address these risks and communicate our performance and progress under the headings: Our community; Our people; Our health and safety; and Our environment.

Our CR approach is aligned around the themes of engagement and efficiency. These themes are directly linked back to our strategic initiatives of High Performance Team and World Class Systems respectively.

We encourage local initiatives and, where practical, share best practice. The main drivers behind the CR activities are to:

- Support the environmental agenda in order to contribute to cost and operational efficiencies
- Support employee engagement, which has been mainly driven through Our people and Our health and safety initiatives
- Ensure that we comply with the relevant legislation and codes

The Group has a code of conduct called Our Standards, which sets out the standards of behaviour to which every employee is expected to work and which defines the core values and principles we apply in dealing with our customers, suppliers and other stakeholders. The manual covers gifts, hospitality and donations, fraud, compliance, competition law, whistleblower policy, Speak Up, conflicts of interest and respect for our employees. This year we have updated Speak Up and it has been communicated to all employees across the business in multimedia and multi-language formats to raise awareness of the Group's whistleblowing policy.

All of the Group's employment and training policies are compliant with relevant employment legislation and regulatory obligations. Where appropriate, facilities are adapted and retraining offered to any employees who develop a disability during their employment.

We have a zero tolerance approach to all forms of bribery and corruption. The Anti-Bribery Policy applies to all businesses, Directors and employees within our Group to ensure compliance with all laws and regulations governing bribery and corruption in the countries in which we operate. This year we carried out a significant refresher programme on our competition and anti-bribery compliance processes, including providing training to senior management and key relevant business areas, and a review of governance processes in these areas.

Our 2015 key achievements include:

- **Our community:** In addition to their time, employees have supported a range of charities through fundraising activities.
- **Our people:** During the year, actions have been implemented to improve employee engagement, career development, and diversity and inclusion. In our March 2015 global employee engagement survey, My Voice, we achieved an 81% response rate and an increase of 1% in employee engagement.
- **Our health and safety:** Performance has continued to see significant improvements; we recorded 18 lost time accidents, a reduction of 31% over last year. We have been granted the Royal Society for the Prevention of Accidents (RoSPA) Gold Award for ongoing commitment to raising occupational health and safety standards.
- **Our environment:** Performance improved in key areas in 2015, building on the progress delivered in 2014. CO<sub>2</sub> emissions intensity was reduced by 8.7% in the year, waste intensity was 3.8% down and water use per head was down 2.3%. The Group again participated in the Carbon Disclosure Project and was ranked second in its reporting category, achieving its highest disclosure and performance scores to date.

Electrocomponents is a member of the FTSE4Good Index, which measures the performance of companies that meet globally recognised corporate responsibility standards. We have once again secured a place on the Global 100 Most Sustainable Corporations list, published by Corporate Knights in January 2015, ranking us as one of the top overall sustainability performers in our industrial sector.

# Our community

We actively support engagement with local communities and our employees feel passionately about supporting the local communities they live in. Our approach is to encourage our people to spend time on fundraising activities and take the initiative in supporting local charities.

During 2015, our employees across the world have invested their time and money in raising funds for a wide range of valuable causes, from disaster and cancer charities to community youth projects, the majority of which have been supported at a local level. Most of the fundraising has been employee-led but there have also been monetary and stock donations made from the Company in different markets.

## Allied aids Easter egg hunt for the blind

Allied employees and suppliers donated time and materials to create specially-designed Easter eggs that beep audible signalling, allowing blind children to hunt for the eggs.



We are enabling innovation by providing end-of-life products to London-based Fab Lab – part of a global network of local labs with a mission to create a community that makes, learns and shares. Fab Lab is the City of London's first purpose-built digital fabrication and rapid prototyping workspace for individuals and companies to develop innovative products. Providing a hub for innovation, the organisation thrives on the support of partners. We have donated end-of-life test equipment, electronics and lighting units and have committed to making a regular monthly donation.

Furthermore, we are sponsoring a series of skill-sharing workshops from The Restart Project, a London-based charity, which encourages and empowers people to use their electronics for longer. The Restart Project is known for its 'Restart Parties', workshops that take place in communities and workplaces across the UK and abroad. We have produced an RS tool kit for the volunteers, known as Restarters, to enable them to teach people to carry out repairs on their broken electronic items.

# Our people

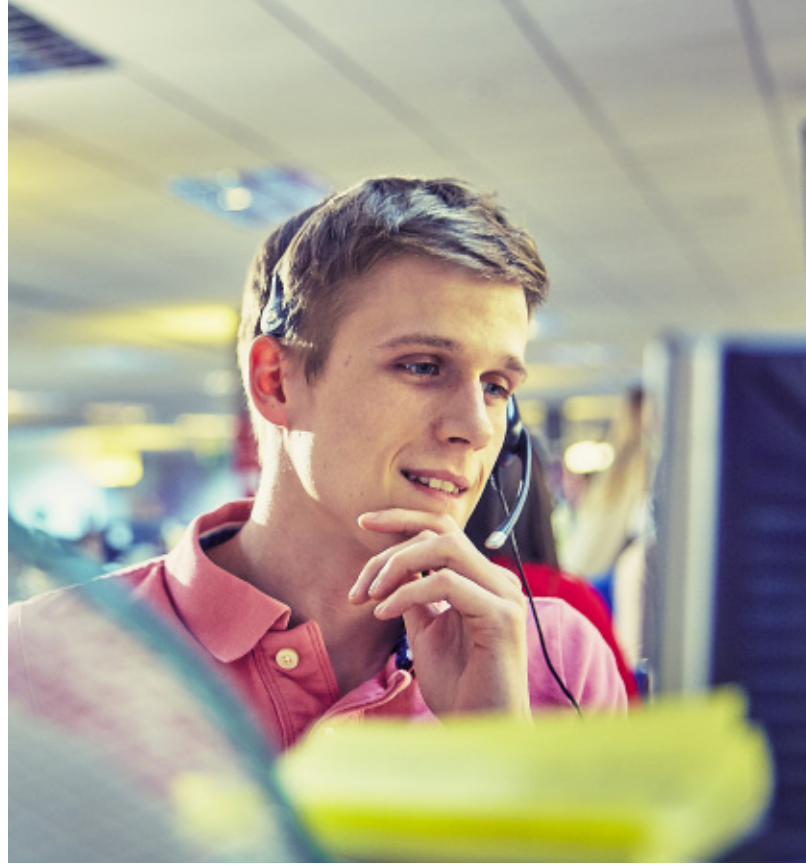
Investing in our people has been a key focus area for us as we work to create the conditions for high performing teams. We have continued to use the results from our 2014 global employee engagement survey, My Voice, to inform our actions.

## Employee engagement

We have been focused on implementing My Voice action plans in all functions across the business to drive higher employee engagement. Our global My Voice Project Board has met on a regular basis to share functional action plans, discuss best practice and monitor progress. The top four drivers we worked on are: Delivering on promises; Valuing employees; Reward and recognition; and Leadership. Examples of actions include:

- **Delivering on promises:** We have actively used change management approaches for current and future projects, to improve two-way communication and keep our colleagues involved during pre-implementation in order to be more successful in implementing global processes.
- **Valuing employees:** Within Global Finance and Global HR, one of the key areas of focus has been career development. We have designed a skills and capabilities model that supports our business partnering population. It is designed to help our people develop the skills and capabilities to support them through their career.
- **Reward and recognition:** In Global Offer we have identified and recognised those who have gone above and beyond to change the way we work and continuously improve what we do. 'Moved the Dial' and 'Have a Go Hero' awards, and 'Thank you' cards are being made a part of how we work.
- **Leadership:** Across Global Marketing, a series of workshops have taken place to improve and drive consistency around management and leadership behaviours amongst our senior management team.

We achieved an 81% response rate in our March 2015 My Voice survey and an increase of 1% in employee engagement.



## Career development

We are passionate about supporting our people to fulfil their career ambitions.

- We are 15 months into the outsourced resourcing partnership between RS and Alexander Mann Solutions and see the benefits of data to drive decisions, improved time to hire and reduced reliance on suppliers. Since April 2014, we have made 833 hires, 35% of which were filled by internal candidates, reflecting our strategy to provide new opportunities, enabling people to fulfil their potential and develop their careers within the business. Only 4% of hires have been via third-party agency suppliers.
- We held Career Speaker events where people working across the globe shared how they have approached and developed their careers. This has provided our people with career support, increasing the pace of learning and quality of career development plans.
- For our global leadership population we offered Leadership Coaching and Strategic Thinking development programmes with 340 and 50 leaders respectively having completed the programmes to date.
- We have offered 83 training courses in 2015, up from 67 in 2014. Over 545 colleagues across the business have attended these courses through our RS People Academy, in comparison to 444 in 2014.

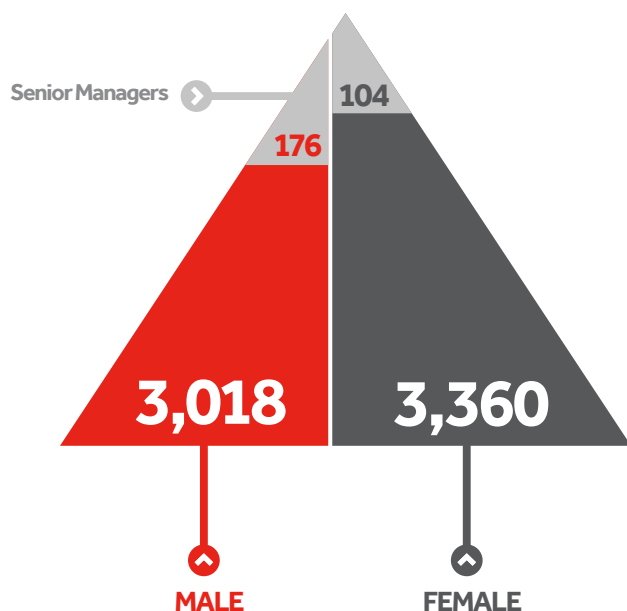


## Diversity and inclusion

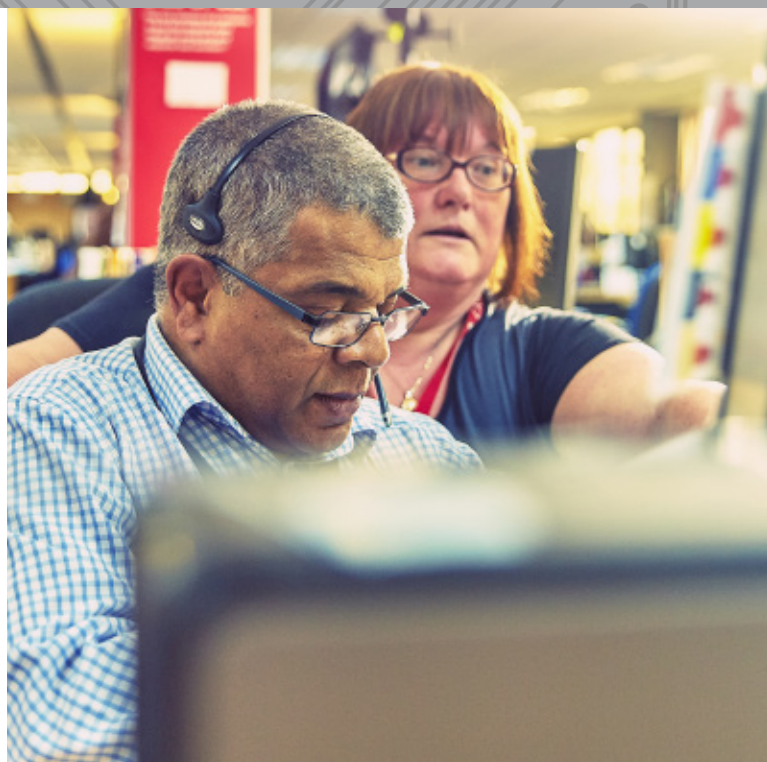
We remain committed to embedding a diverse and inclusive culture to gain the best from our people and provide the best service to our customers. To achieve this we continued to embed our behaviours, 'RS The way we work' to create the right environment for our strategy to flourish and succeed. At the beginning of the year we conducted research to understand what helps and hinders people's progress in their careers in our business and used these findings to define our priority areas which included: Recruitment and selection; Flexible working and Career paths. Examples of actions include:

- Recruitment and selection: We have developed Hiring Manager training to support our managers to attract, recruit and promote in an inclusive way with pilots complete in Singapore and the UK.
- Flexible working: We have enhanced the technology available to our people to enable work to be performed in a more flexible way.
- Career paths: We have developed a career path framework ready to roll out this year to help increase the transparency of career path choices for our people.

### Overall headcount and senior managers<sup>1</sup>



<sup>1</sup> As at 31 March 2015



## Human rights

Our respect for human rights is implicit in our employment practices; the rights of every employee are respected and every employee is treated with dignity and consideration. Our employment practices are designed to attract, retain, motivate and train people and to respect their rights. We do not use child labour (in line with the Minimum Age Convention), nor do we use forced labour. We recognise freedom of association by permitting our employees to establish and join organisations of their own choosing without our permission, and we recognise collective bargaining where required by local laws.



# Our health and safety

Health and safety is recognised as a key priority for the business with solid cultural engagement and support. Key achievements over this year have been:

- A significant year-on-year reduction in the Lost Time Accident rate (number of lost time accidents per 200,000 hours worked) from 0.42 in 2014 to 0.29 in 2015. As a reminder, this rate was over 1.0 as recently as 2011.
- A 19% reduction in the number of days lost due to accidents from 151 in 2014 to 122 in 2015.
- The most serious accidents we record are lost time accidents; this year we have recorded a total of 18, which shows a 31% reduction over last year and compares to a total of 26 in 2014. This shows a reduction of 49% over the last three years.
- The total number of recorded accidents has decreased over the year. We have seen a fall from the 547 recorded in 2014 to 317 recorded in 2015.
- 10,595 near misses have been reported globally, compared to 8,247 reported in 2014.

For three years, health and safety has been the highest scoring element on the employee engagement survey. This improvement in employee engagement and awareness of safety issues is also reflected in the increase in the number of near misses reported in our facilities. We continue to use behavioural safety as a key tool to change and adapt our employees' attitudes and approach to health and safety.

Engagement from our employees is further demonstrated by the use of daily management within operations and some customer services teams through the implementation of 'Our Performance'. This allows accident and near miss data to be reviewed and action taken by local team members, further increasing employee awareness and ownership.

Over the last four years, the approach to health and safety and the subsequent results have been reflective of the investment in health and safety across the business. There is a clear vision and strategy in place and visible leadership from senior management and the GEC. Some of the major activities and initiatives are as follows:

- Target Zero remains at the heart of our approach to improving safety across the business; it is inspired by the vision of zero accidents or harm to employees. It includes safety leadership, personal safety and generally looking after each other in the workplace. The Target Zero tool kit, developed to build on the success of recent leadership training, consists of five modules designed to allow managers to focus team communications on health and safety. The modules are focused on working from home, leadership, safe driving, well-being and safety on customers' premises.

- We have developed and delivered an internal health and safety two-day management training course, aimed at improving the general health and safety knowledge of supervisors and managers, as well as looking at specific procedures and processes regarding health and safety.
- Global occupational health and well-being initiatives have included stress awareness, healthy lifestyle campaigns and the creation of healthy rooms. We continue to support EU-OSHA to improve working conditions in Europe. We have also worked with injured employees and those with health issues to assist rehabilitation and provide support.
- Manual handling injuries account for the highest number of injured employees. In high risk areas of the business we have introduced the use of 'Backtrack', a system that allows us to monitor and correct manual handling behaviour, undertake more informed risk assessments in the workplace and improve the focus of training.
- In the UK, fleet risk management continues to be a key focus. We have developed the driver safety forum and amended the drivers' risk assessment process, providing a more in-depth analysis to identify high-risk drivers.

In recognition of our health and safety success over this year, we have been granted the Royal Society for the Prevention of Accidents (RoSPA) Gold Award for ongoing commitment to raising occupational health and safety standards. Furthermore, we have received an International Safety Award for our commitment to the health, safety and well-being of our people.



# Our environment

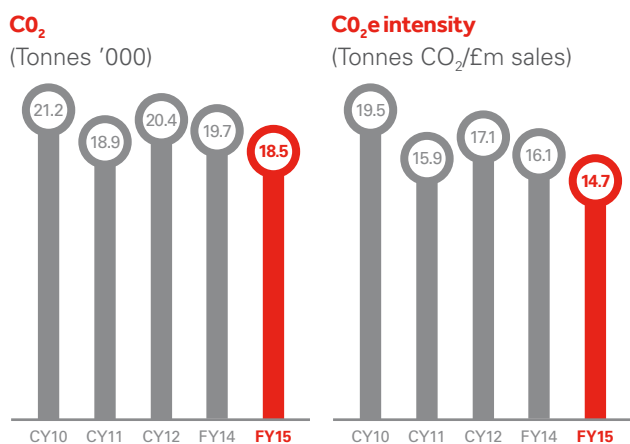
The Electrocomponents environmental policy commits the Group to identify and manage the environmental impacts associated with its business activities with the objective of increasing efficiency and reducing the Group's environmental impacts per unit of sales.

Environmental performance is managed through a Group-wide reporting and measurement process. The scope and completeness of the process has been an important factor in the Group's recognition by the Corporate Knights Global 100 list of sustainable corporations for four out of the last five years.

Since 2014 we have reported our environmental performance on a financial year basis. Prior years are reported by calendar year and the 2012 calendar year includes nine months of the financial year 2013. The financial year and calendar year reports are comparable as they both cover a 12 month period.

## Energy consumption and carbon emissions\*

CO<sub>2</sub>e due to premises energy use<sup>123</sup>



1. CO<sub>2</sub> equivalent from all energy sources including country-specific CO<sub>2</sub> factors for electricity and with 100% renewable electricity reported at zero kg CO<sub>2</sub> per kWh.
2. Excludes a number of smaller premises where energy costs and consumption are included in lease costs.
3. KPIs are on a constant currency basis and updated to reflect changes in reporting methodology and in emissions factors.

Our primary energy usage and related CO<sub>2</sub> emissions is in our premises and operational infrastructure and as sales increase our energy efficiency will improve. Energy reductions and the use of green energy also help to improve emissions efficiency. As most energy use is related to heating and cooling, our energy-related performance is subject to the effects of climatic variations.

\*The statutory information required by Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is set out on page 41.

CO<sub>2</sub> emissions due to energy use in our premises were reduced by 5.9% from 19,700 tonnes in 2014 to 18,500 tonnes in 2015. This was 9.2% lower than in 2012. Taking into account the growth in sales, CO<sub>2</sub> emissions intensity was down 8.7% from 16.1 tonnes per £m sales in 2014 to 14.7 tonnes per £m sales in 2015. This was 14.0% lower than in 2012.

The most significant emissions reductions in CO<sub>2</sub> were in Germany where a further site switched to using electricity from 100% renewable sources as well as further reductions in CO<sub>2</sub> emissions due to reduced energy use at a number of sites in the UK, Italy and France. This was achieved through implementing energy management systems across various sites enabling the more efficient control of lighting, heating and air conditioning systems.

Further efficiency improvements are ongoing across our facilities, including investment in energy-efficient lighting systems and the installation of LED and fluorescent tube lighting linked to movement sensors to replace older, less efficient lighting systems.

The Group has participated in the Carbon Disclosure Project since 2008 and in the 2014 CDP FTSE 350 Report was rated second in its reporting category, achieving its highest disclosure and performance scores to date.

## Waste and recycling

Total hazardous and non-hazardous waste<sup>1</sup>



1. KPIs are updated to reflect changes in reporting methodology and are on a constant currency basis.

Our primary waste streams include card, paper, wood and plastics, much of which is recycled, and general commercial waste from our operations. In absolute terms, total waste was down by 1% from 3,490 tonnes in 2014 to 3,460 tonnes in 2015. This was also marginally lower than in 2012. Taking into account the growth in sales, waste intensity was down by 3.8% from 2.85 tonnes per £m sales in 2014 to 2.74 tonnes per £m sales in 2015. This was also 6.0% lower than in 2012.

# Our environment

## continued

### Waste and recycling continued

Hazardous and non-hazardous waste recycled<sup>1</sup>

**Recycled waste**  
(Tonnes '000)

**% of total waste recycled**



1. KPIs are updated to reflect changes in reporting methodology.

The proportion of total waste recycled was down by 2% points from 76% of total waste in 2014 to 74% in 2015. However, the 2015 recycling rate was 3% points higher than in 2012. This reflected a 3.1% reduction in the absolute tonnage of recycled waste in 2015.

The reduction from the 2014 recycling rate is in part due to an increase in the use of reusable and returnable supplier packaging, which previously would have been disposed of after the first use. Furthermore, waste awareness and reduction programmes tend to reduce reusable and recyclable waste first, leaving a lower percentage which can then be recycled.

During the year RS UK made further progress towards its goal of zero waste to landfill. In 2015, 1% of waste was landfilled, down from 3% in 2014. In 2010, 31% of waste was sent to landfill. This has been achieved through staff awareness, waste segregation and the proactive reduction and management of waste streams. Further, the use of reusable replenishment transit packaging has helped to reduce waste quantities.

### Packaging and paper

Packaging consumed<sup>1</sup>

**Packaging**  
(Tonnes '000)

**Packaging intensity**  
(Grammes/line ordered)



1. KPIs take account of changes in reporting methodology.

We continue to seek opportunities to reduce the quantity of packaging consumed per order, whilst ensuring the effective protection of customer orders whilst in transit.

Packaging consumption was reduced by 4.5% from 4,670 tonnes in 2014 to 4,460 tonnes which was 18.5% lower than in 2012.

The Group continues to work with its customers and suppliers to increase use of reusable packaging. The weight of packaging used in 2015 was increased by the one-off purchase of reusable wooden packaging in Italy in a joint initiative with a customer. This is expected to lead to lower levels of packaging use in the future but as a result in 2015, indexed to lines ordered, packaging use was up marginally at 215 grammes per line ordered although this was 11.1% lower than in 2012.

We continue to review our packaging and to train packaging teams on the importance of the efficient use of materials in preparing customer orders. As noted above, the packaging report is also influenced by the timing of packaging purchases and supplier deliveries.

### Product Energy case study

#### Green Apple Environment Award

RS UK has won further recognition for its innovative LED project. The Green Apple Environment Award recognised the significant environmental impact reduction achieved through combining the right product, a new LED lighting unit, with a revolutionary business model and service to encourage the purchase of energy-efficient lighting whilst also eradicating all waste at the end of the product's life. The LED technology reduces energy use by up to 80% and offers customers maximum longevity, whilst the buyback scheme removes the barrier created by the product's high purchase price, accelerating the take-up of the new product.

The Group works closely with its pulp and paper suppliers and printers to reduce the environmental footprint of our catalogue which is now reprinted every two years. The pulp for the catalogues is sourced from either Sustainable Forestry Initiative or PEFC accredited forest management schemes, with printing carried out in ISO 14001:2004 certificated facilities.

## Water consumption

Total water use<sup>1</sup>

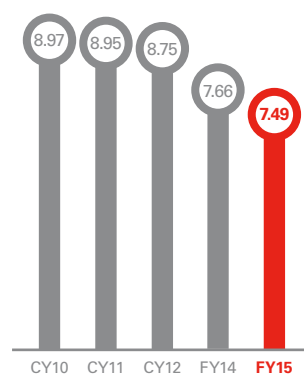
### Water Use

(m<sup>3</sup> '000)



### Water Use per Employee

(m<sup>3</sup>/head)



1. KPIs are updated to reflect changes in reporting methodology.

Water is used primarily for domestic and office uses, with performance assessed on the basis of consumption per employee. Use is also influenced by the testing and maintenance of fire protection systems and irrigation requirements. Water-conservation measures include awareness campaigns and proactive maintenance regimes to prevent or rectify leakage.

Water use per employee was down 2.3% from 7.66 m<sup>3</sup> per head in 2014 to 7.49 m<sup>3</sup> in 2015. This was some 14% lower than in 2012. Absolute water use was reduced by 2.7% from 47,700 m<sup>3</sup> in 2014 to 46,400 m<sup>3</sup> which was 14% lower than in 2012.

A number of sites implemented specific water-saving initiatives with particular progress in Italy where improved monitoring and awareness helped to reduce water use per head by over 30%. In South Africa the RS team linked its water awareness and preservation initiative to the World Water Awareness campaign in March with further activities planned for the coming year.

## Greenhouse Gas Emissions disclosures

In addition to the CO<sub>2</sub>e emissions due to premises energy use, which are reported on page 39, the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 require the Group to also report emissions due to the fuel used in company vehicles, fugitive emissions and other sources. The report below includes the material emission sources from the operations and activities covered by the Group's financial statements.

	FY2015 Tonnes CO <sub>2</sub> e	FY2014 Tonnes CO <sub>2</sub> e
<b>Emissions from combustion of fuels and operation of facilities:</b>		
Combustion of fossil fuels <sup>1</sup>	5,747	6,152
Operation of facilities, including fugitive emissions <sup>2</sup>	96	89
<b>Electricity purchased for own consumption:</b>		
Purchased electricity <sup>3</sup>	15,143	15,892
<b>Intensity measurement</b>		
CO <sub>2</sub> e due to premises energy use per £m revenue	14.7	16.1
Total GHGs per £m revenue	16.6	16.1

Data is for the financial year as updated to reflect changes in reporting methodology.

1. Includes emissions of 2,343 tonnes relating to fuel use in company vehicles (2014: 2,324 tonnes).
2. 96 tonnes of CO<sub>2</sub>e due to fugitive emissions from air conditioning systems. (2014: 89 tonnes).
3. Electricity from renewable sources at zero CO<sub>2</sub>e per kWh. Emissions increase by 1,337 tonnes at grid-average rates (2014: 885 tonnes).

The Group uses the Greenhouse Gas Protocol with emission factors for standard grid electricity by country from the International Energy Agency and other factors as published by the UK Department of Environment, Food and Rural Affairs in order to calculate the CO<sub>2</sub>e emissions included in this report.

The Strategic Report was approved by the Board on 21 May 2015.

By order of the Board

**Simon Boddie**

Group Finance Director

# Creating the right connections with Practical Action

## Connecting with Practical Action to deliver affordable and sustainable domestic energy

### Innovating to solve the power crisis in developing nations

RS Components and Allied Electronics teamed up with international development charity Practical Action in 2014 to help develop breakthrough design ideas for cheap electricity.

Our businesses hosted a two-day rapid prototyping hackathon at Google's UK offices in London that was a major first step in a collaboration that aims to deliver affordable and sustainable domestic energy solutions to poverty-stricken communities around the world.

The Power Hack challenge involved three design and engineering teams competing to create a simple off-grid power generation source for domestic use. Using our DesignSpark suite of rapid prototyping tools, the teams produced simple yet innovative solutions, all potentially viable to solve the power crisis in developing nations.

The winning solution, a thermocouple brick dubbed the 'Seebrick', uses the Seebeck effect to generate electric power from a temperature difference.

Consisting of clay, copper and iron, the brick can be built into a cooking stove or into home walls. By taking advantage of waste heat from everyday cooking, for example, enough power could be generated with just six bricks and two hours of cooking to light three rooms with LEDs for a night.

Other prototypes included improvements on IBM's work to reuse lithium ion batteries (laptop batteries) as energy storage devices, and a simple micro-electromagnetic generator built from common waste materials such as aluminium drink cans and plastic water bottles, which creates enough electricity for domestic power use via wind and water.

RS and Practical Action are now working to implement these innovations to transform the quality of life in rural communities struggling with electricity and power challenges.





# Board of Directors



## Peter Johnson Chairman

Joined in October 2010

### External roles

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

### Past roles

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

### Skills and experience

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

### Committee membership

Chairman of the Nomination Committee.



## Lindsley Ruth Group Chief Executive

Joined in April 2015

### External roles

None

### Past roles

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

### Skills and experience

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

### Committee membership

From April this year, Lindsley was Chairman of the Group Executive Committee and Member of the Treasury Committee.



## Simon Boddie Group Finance Director

Joined in September 2005

### External roles

Simon is a Non-Executive Director of PageGroup and Chairman of its Audit Committee.

### Past roles

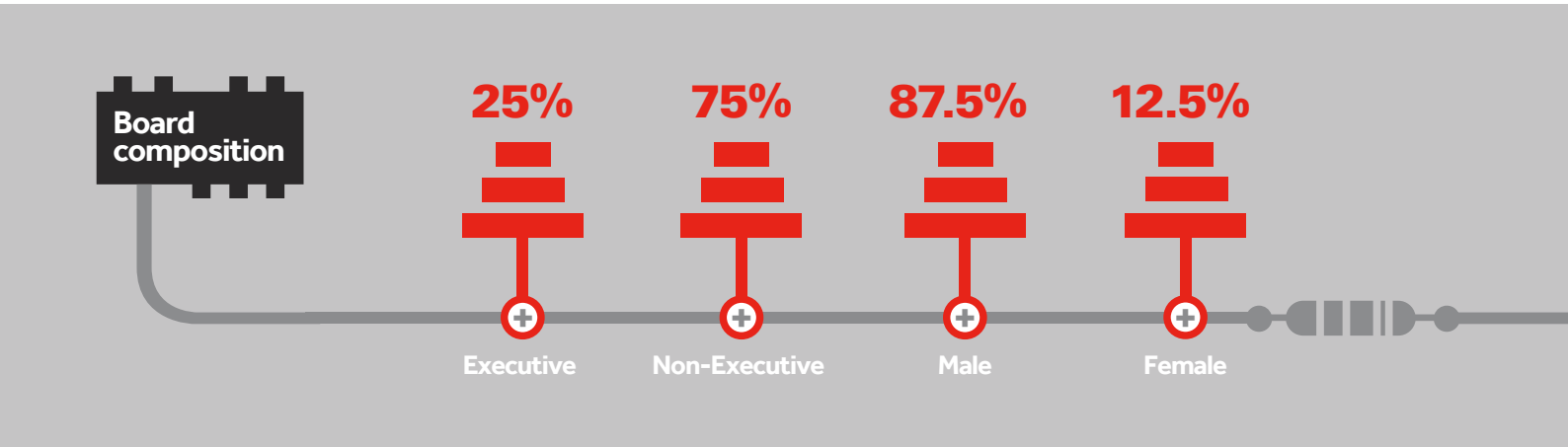
Previously, Simon worked for Diageo plc where he held a variety of senior finance positions, latterly as Finance Director of Key Markets.

### Skills and experience

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

### Committee membership

Chairman of the Treasury Committee and Member of the Group Executive Committee.





### Rupert Soames Senior Independent Director ▼

Joined in July 2007

#### External roles

Rupert is Group Chief Executive at Serco Group plc.

#### Past roles

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

#### Skills and experience

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

#### Committee membership

Chairman of the Remuneration Committee up to July 2014 and Member of the Remuneration Committee from August 2014. Member of the Audit and Nomination Committees.



### Bertrand Bodson Independent Non-Executive Director ▼

Joining in June 2015

#### External roles

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

#### Past roles

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

#### Skills and experience

- Digital
- eCommerce
- International operations
- Product development
- Sales and marketing

#### Committee membership

Member of the Audit, Nomination and Remuneration Committees.



### Karen Guerra Independent Non-Executive Director ▼

Joined in January 2013

#### External roles

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

#### Past roles

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

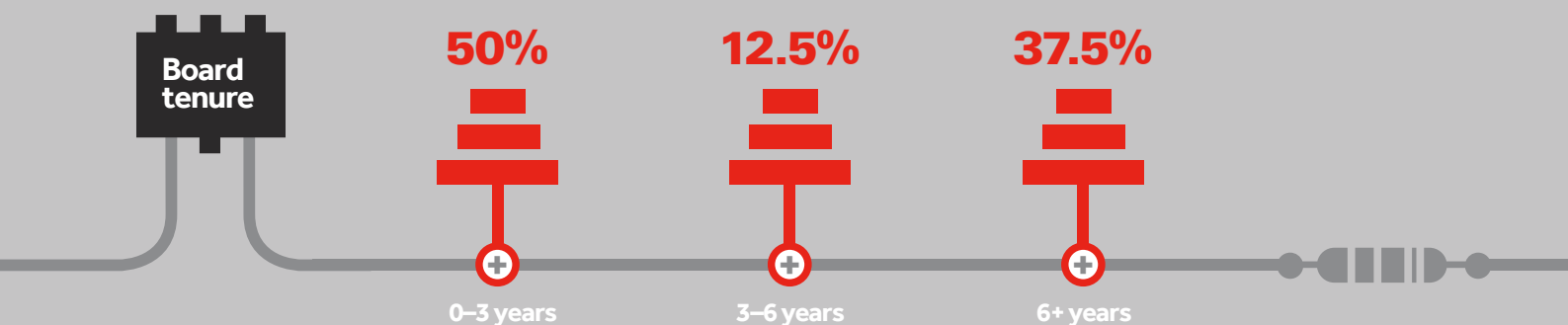
#### Skills and experience

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

#### Committee membership

Member of the Audit, Nomination and Remuneration Committees.

See page 52 for information on Board role, effectiveness and composition



# Board of Directors

## continued



### Paul Hollingworth Independent Non-Executive Director

Joined in May 2008

#### External roles

During the year Paul was appointed as a Non-Executive Director of Volution Group plc and Chairman of its Audit Committee.

#### Past roles

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

#### Skills and experience

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

#### Committee membership

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



### John Pattullo Independent Non-Executive Director

Joined in January 2013

#### External roles

John is Chairman of NHS Blood and Transplant, Non-Executive Chairman of Marken Group, Chair of In Kind Direct (a Prince's Charity) and Special Advisor at CEVA Group.

#### Past roles

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

#### Skills and experience

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

#### Committee membership

Chairman of the Remuneration Committee from August 2014 and Member of the Remuneration Committee up to July 2014. Member of the Audit and Nomination Committees.



### Ian Haslegrave General Counsel and Company Secretary

Joined in September 2006

#### External roles

None

#### Past roles

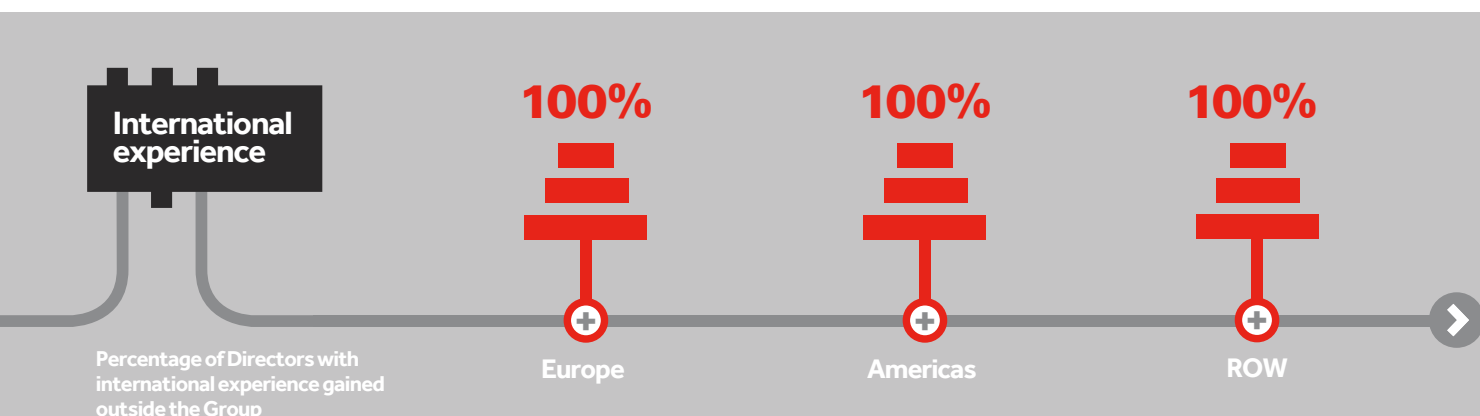
Previously, Ian was International Legal Director at Viacom Outdoor Limited. He has also worked at United Biscuits Limited and Freshfields Bruckhaus Deringer.

#### Skills and experience

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

#### Committee membership

Member of the Treasury Committee.



# Directors' report

The Directors present their report and the audited financial statements of Electrocomponents plc (Company) together with its subsidiary undertakings (Group) for the period to 31 March 2015.

## 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 <sup>1</sup>	10
Policy on disability <sup>1</sup>	34
Employee engagement <sup>1</sup>	36
Greenhouse gas emissions <sup>1</sup>	39
Names of Directors who served during the year	54
Results	97
Details of employee share schemes	71
Principal subsidiary and associated undertakings and branches	122
Financial risk management (including hedging)	125

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	71
(12 and 13) Shareholder waivers of dividends	116

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 97. An analysis of revenue and profit by region is shown in Note 3 on page 105. The Directors have declared dividends as follows:

### Ordinary shares

Paid interim dividend of 5p per share (paid on 9 January 2015)	2014: 5p per share
Proposed final dividend of 6.75p per share (to be paid on 28 July 2015)	2014: 6.75p per share
Total ordinary dividend of 11.75p per share for year ended 31 March 2015	2014: 11.75p per share

## Share capital

Full details of share options and awards and shares issued under the terms of the Company's share incentive plans can be found in Note 7 to the accounts on page 108.

As at 31 March 2015, the Company's issued share capital comprised a single class of 439,811,909 ordinary shares of 10p each, totalling £43,981,190.90.

The Company was authorised by shareholders at the Annual General Meeting (AGM) held on 24 July 2014 to purchase up to 5% of its ordinary share capital in the market. This authority will expire at the end of the 2015 AGM and the Company is proposing a resolution to renew it for another year.

## Directors' indemnities

In accordance with 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 2014, which was renewed for 2015.

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

# Directors' report

## continued



### Financial instruments

For information on the Group's use of financial instruments, including financial risk management objectives and policies of the Group, and exposure of the Group to certain financial risks, see Note 21 on page 125.

### Political contributions

The Group made no political contributions during the year.

### Annual General Meeting

The Notice of the AGM, which will be held at 12 noon on Thursday, 23 July 2015 at the Company's premises, The International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW, is set out in a separate circular.

### 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

are unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

### Conflicts of interest

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

### Company number

Registered number: 647788.

### Substantial shareholders

As at 21 May 2015, the Company has been notified, in accordance with the Financial Conduct Authority's Disclosure and Transparency Rules, of the following interests in the voting rights of the Company:

	Nature of interest	Number of shares	Percentage held
Silchester International Investors LLP	Direct	83,089,855	19.05%
Ameriprise Financial, Inc. and its group	Indirect	53,055,288	12.06%
Sprucegrove Investment Management	Direct	28,855,011	6.56%
Majedie Asset Management Ltd	Indirect	22,070,869	5.02%
Sanderson Asset Management Ltd	Direct	18,240,455	4.18%
Norges Bank	Direct	13,227,725	3.01%

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

### Dividends and distributions

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

to provide the Company with information concerning their interest in those shares required to be provided under the Companies Act.

### Voting rights

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



## Restrictions on voting

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

## Deadlines for exercising voting rights

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

## Variation of rights

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

## Transfer of shares

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

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

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

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

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

## Appointment and replacement of Directors

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

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

## Amendment of Articles of Association

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

By order of the Board

**Ian Haslegrave**

General Counsel and Company Secretary  
21 May 2015

# Corporate Governance report



**“The Board’s role in such a period of change has been particularly important with robust corporate governance supporting the transition.”**

## Dear fellow shareholder

On behalf of the Board, I am pleased to present our corporate governance reports for 2015.

This year the business has gone through a very significant period of change with the appointment of our new Group Chief Executive. The Board’s role in such a period of change has been particularly important with robust corporate governance supporting the transition. Further details can be found in the Nomination Committee report on pages 65 and 66.

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

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

During the last financial year we conducted our first externally facilitated Board evaluation. This year we have carried out an internal evaluation which was built upon the findings of last year’s. The results and recommendations of this year’s evaluation are discussed in detail later in this report, as well as progress made on last year’s external evaluation.

Executive remuneration has been a topic of considerable interest again over the year with the new regulations coming into play for the first time. The Remuneration Committee has been busy reviewing the consequent evolution of market practice and considering the implications for implementation of our policy. The Directors’ Remuneration Report on page 67 sets out in detail the Company’s approach.

**Peter Johnson**

Chairman  
21 May 2015

## Board activity

"The Company and the Group are committed to high standards of corporate governance and the Board is accountable to the Company's shareholders and actively engages in two-way communication"



### Strategy

Throughout the year, the Board has reviewed the Group's strategy and plans for delivering our key strategic priorities. Regular discussions have taken place with senior management monitoring progress against the strategic and budgetary targets. Full details of our key strategic priorities can be found in the Strategic Report on page 10. On an ongoing basis as well as tracking progress against the strategic KPIs, the Board approves investment proposals and significant capital expenditure. Previous strategic investment proposals are reviewed, to consider whether they delivered on their anticipated benefits and to establish any learnings from the relevant projects. The Board has also received updates on competitor results as well as general developments in the market. To enhance the Board members knowledge of the business, they visited the German business in September, and in January they visited one of the Group's operational sites in the UK. During these visits they met with the management teams, had a demonstration from a key supplier and presentations on global inventory planning and eCommerce.

### Financial

The Board reviewed and signed off on the 2014 Annual Report and Accounts and the Half-year financial report for the year under review, including discussion and approval of the relevant final and interim dividends. The Board receives monthly updates on the financial performance of the Group, approves the annual budget, monitors progress on the strategic five-year plan and the reforecasts during the year. The Board reviewed the investment strategy and recovery plan for the Defined Benefit pension plan, and has reviewed and agreed the ongoing bank and loan refinancing programme.

### Shareholder relations

The Board engaged with smaller shareholders at the 2014 Annual General Meeting (AGM) held in July, and during the year the Executive Directors had face-to-face meetings and calls with institutional shareholders and analysts in the UK, North America and Europe. Further details can be found on page 57. The Board regularly reviews reports that contain investor feedback from institutional investors, compiled by the Company's brokers. This included a detailed review of investor feedback, perceptions and a review of the shape of the existing shareholder register.

### Governance

Following last year's externally facilitated evaluation of its effectiveness, the Board carried out an internal review this year, of itself, its committees and individual members. Further details are given on page 55 of this report. It considered updates on a number of areas including the management of inside information, corporate governance and competition law risk. On a quarterly basis the Board considers Group health and safety, and receives reports on any grievances raised across the Group together with a summary of the themes arising from the whistleblowing process (Speak Up).

### Risk management

During the year the Board has undertaken its annual full Group Risk Review and has also considered more specific and detailed risk reviews such as the Group's approach to managing export controls, IT system dependencies and risk in relation to competition law. The Board has been updated on the ever changing nature of cyber risk and what actions are being taken to manage this risk. Looking forward, the Board has reviewed a register of principal risks affecting the Group.

# Corporate Governance report

## continued

### UK Corporate Governance Code

During the year ended 31 March 2015, the Company has been subject to the provisions of the Code published in September 2012. The Code is publicly available at [www.frc.org.uk](http://www.frc.org.uk). There are five main principles of the Code covering:

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

The sections within this Directors' report explain how these principles 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 58;
- Nomination Committee report on page 65; and
- Directors' Remuneration Report on page 69.

**During the year ended 31 March 2015, the Directors consider that the Company complied throughout the accounting period with all the relevant provisions set out in the Code.**

### The Board

#### Role, effectiveness and composition

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

Biographical details of the Directors standing for election or re-election at the forthcoming AGM are set out on pages 44 to 46 and in the Notice of Meeting. These set out their skills and experience, together with details of their membership of Board committees. Details of the Board's composition, tenure and international experience are also shown on these pages.

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

- The approval of the Group strategy and its budgetary and business plans
- The review and approval of major investment proposals and capital expenditure
- The approval of annual and half-year results and trading updates
- The approval of the Group's dividend policy and the payment and recommendation of interim and final dividends
- The review and approval of Group tax strategy

- Ensuring and maintaining the Group's systems of risk management, internal control and corporate governance
- Reviewing health and safety policy and its effectiveness
- Discussing and agreeing strategic plans
- On the advice of the Nomination Committee, reviewing succession plans for the Board and senior management
- Evaluating Group and subsidiary performance and reviewing forecasts

The Board is fully committed to diversity of gender, race and nationality and ensures it considers candidates from all such backgrounds when appointing new Board members. Further details of our approach to diversity in relation to appointments at Board level can be found in the Our people section on page 36 and the Nomination Committee report on page 65.

### Committees

The Board has a number of standing committees consisting of certain Directors and, in the case of the GEC and 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 are available for inspection on the Company's website. Board members receive minutes of meetings of all of its committees, where appropriate, and can request presentations or reports on areas of interest.

The performance of the Audit, Nomination and Remuneration Committees are assessed annually as part of the evaluation process described below. Further details of the work, composition, role and responsibilities of the Audit, Remuneration and Nomination Committees are provided in separate reports on pages 58 to 89.

### Effective division of responsibilities and Board operation

The roles of Chairman and Group Chief Executive are held by different individuals. The division of responsibilities between the Chairman and Group Chief Executive has been clearly established; their responsibilities are set out in writing and have been agreed by the Board.

#### Chairman

Responsible for leadership of the Board and ensuring its effectiveness across all aspects of its role, setting its agenda to ensure adequate discussion of all items of business and promoting openness and debate. The Chairman facilitates constructive relations between Non-Executive and Executive Directors and holds meetings with Non-Executive Directors without Executives being present. The Chairman also ensures all Directors receive accurate, timely and clear information and is responsible for effective communication between the Board and its shareholders.

#### Group Chief Executive

Responsible for the Group on a day-to-day basis. Accountable to the Board for the operational performance of the Group. Responsible for the development of strategy and its presentation to the Board, the implementation of the agreed Group strategy and the achievement of its agreed objectives and its communication within the business and with shareholders and the investment community. Executive management, including leadership of the executive team, ensuring robust management succession plans are in place and discussed with the Board and championing health and safety, risk, corporate responsibility and environmental matters.

#### Senior Independent Director

Responsible for chairing the meeting of Non-Executive Directors for the purpose of evaluating the Chairman's performance. The Senior Independent Director also provides an alternative communication channel for shareholders, and other Directors if required, as well as providing a sounding board for the Chairman.

#### Non-Executive Directors

Responsible for upholding high standards of integrity and probity. Constructively challenge regarding strategy, performance of management and also satisfy themselves on the integrity of financial information and controls and systems of risk management. In doing so, they take into account the views of shareholders and other stakeholders.

#### Group Finance Director

Maintains strong financial management and implements effective financial controls as well as developing the Group's financial policies and strategies including debt finance management and advising on capital structure. Ensures a commercial focus across all business activities, the appropriateness of risk management as well as supporting and advising the Group Chief Executive and maintaining effective communications with shareholders and investors.

#### Company Secretary

Ensures efficient information flows within the Board and its committees and between Executive Directors and Non-Executive Directors, as well as acting as Secretary to the Board and its committees. Supports and advises the Chairman on various matters including succession planning. Facilitates the induction of new directors and assists with training and development needs as required. Ensures compliance with Board procedures, corporate governance matters, statute and regulatory regimes affecting the Group, and updates the Board on these. Co-ordination of Board evaluations including presenting the findings and recommending actions.

# Corporate Governance report

## continued

### Information and development

#### Training and induction

Directors are encouraged to update and refresh their skills, knowledge and familiarity with the Group by attending external seminars and briefings, through participation at meetings and through visits to operating units, both in the UK and overseas, as well as by receiving presentations from senior management. This is in addition to the access that every Director has to the Company Secretary.

Board committees and Directors are given access to independent professional advice at the Group's expense if they deem it necessary in order for them to carry out their responsibilities. Specific training provided to the Board during the year included share dealing requirements and processes for the management of inside information procedures, competition law risk and an update regarding corporate governance matters.

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 65.

#### Board meetings

Directors receive a pack of relevant and timely information on the matters to be discussed at each meeting. The Board uses a third-party Board portal which enables faster and more secure distribution of information whilst avoiding the need to circulate paper copies, minimising our effect on the environment. The Company Secretary ensures good information flows within the Board and its committees and between executive management and Non-Executive Directors.

At each Board meeting:

- The Group Chief Executive presents a comprehensive update on the business issues across the Group
- The Group Finance Director presents a detailed analysis of the financial performance, as well as reports on investor relations and feedback from investors
- GEC members and other senior managers attend relevant parts of Board meetings in order to make presentations on their areas of responsibility, providing updates on developments and changes to the business
- The Strategic Dashboard is included to provide an update on progress on the Group's strategic objectives
- The Company Secretary presents a report on key regulatory and legal issues that affect the Group

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

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

	Board (scheduled)		Audit Committee (scheduled)		Remuneration Committee (scheduled)		Nomination Committee	
<b>Number of meetings held during the year</b>	<b>7<sup>3</sup></b>		<b>4</b>		<b>3<sup>3</sup></b>		<b>6</b>	
Peter Johnson	7	(7)	–	–	–	–	6	–
Ian Mason <sup>1</sup>	7	(7)	–	–	–	–	–	–
Simon Boddie	7	(7)	–	–	–	–	–	–
Adrian Auer <sup>2</sup>	1	(1)	1	(1)	–	–	–	–
Karen Guerra	7	(7)	4	(4)	3	(3)	6	(6)
Paul Hollingworth	7	(7)	4	(4)	3	(3)	6	(6)
John Pattullo	7	(7)	4	(4)	3	(3)	6	(6)
Rupert Soames	7	(7)	4	(4)	3	(3)	6	(6)

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

1. Ian Mason stood down as Group Chief Executive with effect from 31 March 2015.
2. Adrian Auer resigned as a Non-Executive Director with effect from 30 June 2014.
3. Unscheduled Board and Remuneration Committee meetings were held during the year in relation to the change of Group Chief Executive.



## Board evaluation

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. We aim to carry out externally facilitated evaluations every two or three years.

Following last year's external evaluation, we have this year carried out an internal evaluation which was co-ordinated by the Company Secretary. Initial discussions between the Chairman and the Company Secretary were held to discuss the design of the questionnaire and what the Board was seeking to achieve from the evaluation.

The aim of the questionnaire sent to Board members was to gain views on certain key corporate governance areas and to give members an opportunity to say candidly what they thought, including what was being done well and what needed to be improved. Views were also sought on the Chairman and Senior Independent Director (SID) and also the workings of the committees of the Board.

The questionnaire included issues such as:

- Balance of skills and experience
- Effectiveness of meetings and team dynamics
- Development and performance against strategy
- Succession planning
- Risk management
- Training and development

The responses to the questionnaires were collated by the Company Secretary who prepared reports for the Chairman and the Chairman of each committee. These reports were then reviewed and discussed by the Board and each of the committees as appropriate.

The results of this year's internal evaluation were again positive with good levels of engagement. Board members agreed that meetings worked well, that the right topics

were being discussed and believe that clear strategic targets are being properly tracked and reported against. It was also acknowledged that the risk process was working well with positive discussions during the year around key areas such as cyber risk, export controls and IT disaster recovery. The Board discussed the results of feedback for the Chairman and SID and overall the feedback was positive.

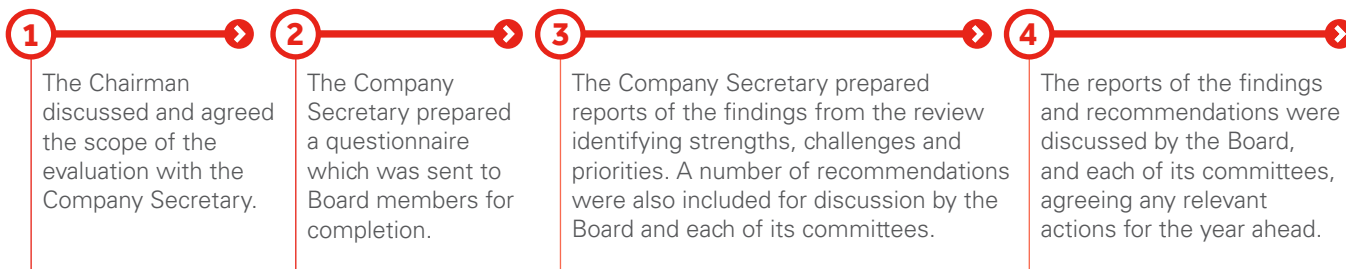
The Chairman also held one-to-one meetings with each of the Directors individually covering the themes outlined above, the dynamics of the Board, and the training and development needs of the Directors, as well as any other areas of concern.

### Outputs from last year's external evaluation

As a result of last year's external evaluation, the Board now receives regular updates on the seven strategic priorities as part of its annual timetable, including an update on competitors, with a Strategic Dashboard being discussed at each meeting. The Nomination Committee has met more frequently during the year to discuss Board succession plans and recruitment, taking into account the need for more diversity at Board level. The Board met with members of the senior management team to assess available talent within the Group.

### Outputs from this year's internal evaluation

The Board agreed there should be greater discussion around succession plans for both the GEC and senior management. Succession planning contingencies should be discussed including, in a period of change of the Group Chief Executive, the prioritisation of short-term issues, as well as the longer-term questions (such as the development of change capability around the business). The Board will continue to focus on the competitor landscape, looking at the different business models and marketplace developments in more detail.



# Corporate Governance report

## continued

### Director re-election

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

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

Further details of each Director standing for election and re-election are provided on pages 44 to 46 and details of their attendance at Board and committee meetings are given on page 54 of this report.

### Internal control and risk management

The Board is responsible for the effectiveness of the Group's system of internal control, which has been designed and implemented to meet the particular requirements of the Group and the risks to which it is exposed. The Group has an established and ongoing process of risk management and internal control, which has continued throughout the year under review and up to the date of approval of the Annual Report and Accounts.

In accordance with the requirements of the Code and the recommendations of the Turnbull Review Group on internal control, the Audit Committee has regularly reviewed the effectiveness of the Group's system of internal control and risk management and reported the results to the Board. These reviews covered material controls, including financial, operational and compliance controls and risk management systems. Further details of this process are given in the Audit Committee report on page 58 and the Strategic Report on page 26.

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

### Going concern

In its review of the financial statements for the year ended 31 March 2015, the Audit Committee also considered analysis to support the going concern judgement.

The Group's activities, strategy and performance are discussed in the Chairman's introduction on page 04, Our strategy on page 10 and the Business and financial review on page 16.

Further details on the financial performance, financial position and cash flows of the Group are discussed in the Business and financial review on page 16.

Note 21 on page 125 of the consolidated financial statements provides details of the Group's debt maturity profile, capital management policy, hedging activities and financial instruments and its exposures to interest rate and foreign currency risks.

The Group is cash generative, as evidenced by its cash flow performance, with free cash flow representing 69.7% of profit after tax for the year ended 31 March 2015. Management reviews its actual and forecast cash flows each month to ensure that sufficient facilities are in place to meet the Group's requirements.

At 31 March 2015, the Group's net debt was £152.6 million with total committed debt and loan facilities of £263.4 million and undrawn committed facilities of £105.3 million.

The Group's main sources of finance are a syndicated multi-currency facility from eight banks totalling £172 million into three tranches of US\$75 million, £85 million and €50 million maturing in August 2019, and US\$150 million of Private Placement (PP) notes, split US\$65 million maturing June 2015 and US\$85 million maturing June 2017. With the repayment of the US\$65 million PP notes in June 2015, the Group has agreed to issue US\$100 million of fixed rate five year PP notes with completion dates in June 2015, subject to satisfaction of customary closing conditions. These notes will be due for repayment in June 2020.

Compliance with the Group's banking covenants is monitored monthly and sensitivity analyses are periodically applied to forecasts to assess their impact on covenants and net debt. At 31 March 2015 there was significant headroom between the Group's financial position and its banking covenants; it is expected that such covenants will continue to be complied with for the foreseeable future.

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

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



The Directors confirm that this statement has been prepared in accordance with Going Concern and Liquidity Risk: Guidance of UK Companies 2009, published by the Financial Reporting Council in October 2009.

### 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, [www.electrocomponents.com](http://www.electrocomponents.com), which additionally contains up-to-date information on the Group's activities and published financial results and presentations.

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

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

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

Investor relations activity during the year included:

- Face-to-face meetings and telephone briefings for analysts and investors in the UK, US and Europe, covering the vast majority of shareholdings
- Face-to-face presentation of the full-year results and audio webcast of the half-year results
- Recorded webcasts and presentations are available on the corporate website; video interviews with the Group Chief Executive and the Group Finance Director are also available on the corporate website
- Investor roadshows held in the UK, US and Europe
- Investor site visits to distribution centres in the UK
- Participation in broker conferences across the world
- Launch of a 'responsive' version of the corporate website (automatically adapts to the screen size of the viewing device) and updated for iPad and iPhone apps
- Annual General Meeting where each member of the Board is available to answer questions
- Several meetings between the Chairman and shareholders about management succession

# Audit Committee report



## 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
- Assisting the Board to present a fair, balanced and understandable assessment of the Group position and prospects in the Annual Report and Accounts
- Approving the remit of the Internal Audit function and reviewing its effectiveness and findings
- Ensuring that an appropriate relationship is maintained between the Group and its Auditor including the recommendation to approve the Auditor's appointment and fees
- Reviewing the scope and effectiveness of the external audit process
- Reviewing whistleblowing, anti-bribery and fraud procedures

## Specific objectives achieved during the year

During the year, one of our main objectives was to ensure the orderly transition from KPMG to PricewaterhouseCoopers (PwC), our new Auditor. The Committee, including myself, along with the Group Finance

Director, have worked together with the Group Finance team to embed the PwC audit approach in order to achieve a high quality audit for this financial year. We would also like to thank KPMG for their professionalism during the transition.

As a result of the external Board evaluation carried out during the last financial year we continue to review the processes for monitoring the Group performance against strategic targets and milestones. Internal control has continued to be a priority for the Committee, and the Group as a whole. This year's Board/Committee evaluation particularly noted the Board/Committee's confidence in the effectiveness of the Internal Audit team.

## Specific objectives for the coming year

In addition to maintaining a sound system of internal control, the Committee has agreed on a number of specific objectives for the coming year. With the global roll-out of a SAP-based system, the Group is able to benefit from placing greater reliance on standardised automated controls. As a result we will focus on ensuring that appropriate processes are in place for the review and utilisation of automated controls, including IT user access rights. We will continue to focus on cyber risk.

Noting the changes to the UK Corporate Governance Code and associated guidance relating to the viability statement and corporate risk management respectively, the Committee is considering the implications for the business.

We will also continue to move forward with integrated reporting, with the aim to provide our shareholders with a good understanding of the business and how we operate.

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

## Paul Hollingworth

Chairman of the Audit Committee  
21 May 2015

## Main activities of the Audit Committee for the year ended 31 March 2015

	May	July	November	February
Review of financial statements	<ul style="list-style-type: none"> <li>■ Draft Preliminary Statement and Annual Report and Accounts</li> <li>■ Group Finance procedures, disclosures and management representation letter</li> <li>■ Going Concern review</li> <li>■ Fair, balanced and understandable criteria</li> <li>■ Significant areas of accounting estimates/ judgements</li> <li>■ Auditor's highlights memorandum</li> </ul>	<ul style="list-style-type: none"> <li>■ Interim Management Statement</li> </ul>	<ul style="list-style-type: none"> <li>■ Draft 2015 Half-year financial report</li> <li>■ Auditor's highlights memorandum</li> <li>■ Going Concern review</li> <li>■ Group Finance procedures, disclosures and management representation letter</li> <li>■ Impacts of changes in accounting on the financial results.</li> </ul>	<ul style="list-style-type: none"> <li>■ Interim Management Statement</li> <li>■ Accounting Standards, issues and year-end reporting</li> <li>■ Accounting update</li> <li>■ Stock provisions assumptions and historical data</li> <li>■ Review of current accounting treatments (including vendor rebates)</li> </ul>
Risk & internal control	<ul style="list-style-type: none"> <li>■ Business continuity update</li> <li>■ Internal Audit report (including Fraud report)</li> </ul>	<ul style="list-style-type: none"> <li>■ Risk and Control review</li> <li>■ Review of Internal Audit Performance (without Internal Audit)</li> <li>■ Internal Audit report (including Fraud report)</li> </ul>	<ul style="list-style-type: none"> <li>■ Meeting with Head of Internal Audit (without executive management)</li> <li>■ Internal Audit report (including Fraud report)</li> </ul>	<ul style="list-style-type: none"> <li>■ Internal Audit plan for 2016</li> <li>■ Internal Audit report (including Fraud report)</li> </ul>
External Auditor	<ul style="list-style-type: none"> <li>■ Audit transition planning</li> <li>■ Review of audit fees</li> </ul>	<ul style="list-style-type: none"> <li>■ Review of Auditor's Audit Strategy</li> <li>■ Review of non-audit fees</li> </ul>	<ul style="list-style-type: none"> <li>■ Auditor fees</li> <li>■ Review of non-audit fees</li> </ul>	<ul style="list-style-type: none"> <li>■ Review of IT controls and environment</li> <li>■ Review of non-audit fees</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>■ Review of whistleblowing procedures</li> <li>■ Meeting with the External Auditor (without executive management)</li> </ul>	<ul style="list-style-type: none"> <li>■ Non-audit fees as a policy (including update on EU legislation and policy approval)</li> </ul>	<ul style="list-style-type: none"> <li>■ Audit Committee timetable</li> </ul>	<ul style="list-style-type: none"> <li>■ Audit Committee evaluation</li> <li>■ Review of whistleblowing procedures</li> </ul>

# Audit Committee report continued

Membership and meetings	<b>Committee members</b> Paul Hollingworth (Chairman) Adrian Auer (up to 30 June 2014) Karen Guerra John Pattullo Rupert Soames	The Board is satisfied that the Chairman of the Committee has the current and relevant financial and accounting experience required by the provisions of the Code and that the other members of the Committee have a sufficiently wide range of business experience and expertise such that the Committee can effectively fulfil its responsibilities. Details of the skills and experience of the Committee members are given in their biographies on pages 44 to 46.  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 50.  The Committee has independent access to the Internal Audit team and to the Auditor. The Head of Internal Audit and the Auditor have direct access to the Chairman of the Committee outside formal Committee meetings.  Minutes of each Committee meeting are provided to Board members.
	<b>Other regular attendees</b> Company Chairman Group Chief Executive Group Finance Director Company Secretary Group Financial Controller Head of Internal Audit Group Risk Manager Auditor		

## Activities during the year

### Financial reporting

The primary role of the Committee in relation to financial reporting is to review, with both management and the Auditor, the annual and half-year financial reports. The Committee focuses on, amongst other matters:

- The quality and acceptability of accounting policies and practices
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements
- Material areas in which significant judgements have been applied or there has been discussion with the Auditor
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable

As part of the annual and half-year financial reports approval process, the Committee met with the External Auditor. During this exercise the Committee considered the key audit risks identified as being significant to the accounts for the year ended 31 March 2015 and the most appropriate treatment and disclosures of any new or judgemental matters identified during the audit and half-year review, as well as any recommendations or observations made by the Auditor. The primary areas of judgement considered by the Committee in relation to the key financial matters for the year under review and how these were addressed are set out on page 61.

To support its review, regular reports are also received from the Group Finance Director and the Group Financial Controller.

Details of the Group's KPIs are shown on page 24 of the Strategic Report.

### 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 2014 the Group introduced a new process for reviewing the Annual Report and Accounts to ensure that they were fair, balanced and understandable. The process was used again this year. It included:

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

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

The Committee has reviewed the Group's Annual Report and Accounts for the year ended 31 March 2015 and has advised the Board that, in its opinion, the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy.

### Significant accounting issues and areas of judgement

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

Details on accounting policies and areas of judgement can be found in the notes to the accounts on pages 102 to 138.

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 102.

Significant accounting issues and areas of judgement	How the Committee addressed these matters
<ul style="list-style-type: none"> <li>Inventory valuation: Inventory represents a material proportion of the Group's net assets. At 31 March 2015, the Group had £285.1 million (2014: £258.8 million) of inventory on the balance sheet.</li> </ul>	<p>The Group estimates the net realisable value of inventory in order to determine the value of any provision required and key judgements relate to the duration of product life cycles, amount of anticipated sales over this life cycle and the value recoverable from any excess stock. An update of these assumptions, based on recent experience, was presented to the Committee for review.</p>
<ul style="list-style-type: none"> <li>Pension valuation: The Group has material defined benefit pension schemes in the UK, Ireland and Germany. At 31 March 2015, the total deficit in relation to these Defined Benefit pension schemes was £56.3 million (2014: £40.9 million).</li> </ul>	<p>Small changes to the assumptions used to value the UK retirement benefit obligation can have a significant impact on the financial position and results of the Group. The Committee reviews the assumptions put forward by the actuaries and the Group Pension Manager.</p>
<ul style="list-style-type: none"> <li>Goodwill: There is £176.5 million of goodwill on the balance sheet at 31 March 2015 (2014: £156.8 million), which principally relates to the acquisition of Allied Inc. in July 1999.</li> </ul>	<p>The value of goodwill is reviewed regularly for impairment using a value in use model using cash flow and discount rates as set out in Note 12 on page 119. The Committee reviews these impairment tests every year, confirming that adequate headroom is in place and no impairment provision is required.</p>
<ul style="list-style-type: none"> <li>Taxation: The Group's taxation provision requires accounting estimates regarding tax liabilities accruing across our multiple geographies and the recoverability of losses.</li> </ul>	<p>Last year the Board reviewed and endorsed the Group's tax strategy. The Committee reviews the effective tax rate and the balance sheet provision at the half-year and the full-year, and discusses the position with senior management as well as the Auditor.</p>

The Committee also reviewed the Group's accounting treatment of vendor rebates this year, and as a result has disclosed an updated accounting policy in the Annual Report and Accounts on page 103. This takes into account recent Financial Reporting Council (FRC) guidance and aims to provide our shareholders with clear and relevant information to assess the impact of these rebates on the Group's performance.

As a result we will now recognise more income earlier in the year and will prepare our half-year results on this basis going forward, restating comparative periods as required. There is no material impact on our full-year results. Due to the amounts and timings of the receipts, the Committee believes that there are no material accounting areas of judgement required relating to this item.

In its review of the financial statements for the year ended 31 March 2015 the Committee also considered analysis to support the Company's going concern statement.

# Audit Committee report continued

The Group has significant foreign exchange transactions and uses foreign exchange hedges to minimise profit and loss volatility and allow management time to respond to changes in foreign exchange rates. During the year the Group has updated its internal documentation and revised its internal procedures to ensure a greater consistency across the Group.

## Internal control and risk management

The Board's responsibilities for internal control are set out in the Corporate Governance report on page 56.

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

The Committee annually reviews the Group's risk management process with the outcome of the review being reported to the Board and any areas identified for further consideration are discussed at subsequent meetings. This, together with the provision of regular updates to the Board on the principal risks, allows the Board to make the assessment on the systems of internal control and the residual risk for the purposes of making its public statement. Further information regarding principal risks and uncertainties to the business is given on page 26 of the Strategic Report.

Where weaknesses in the internal control system have been identified through the monitoring processes outlined above, plans for strengthening them are put in place and action plans regularly monitored until complete. During the period under review there were no control failings or weaknesses that resulted in unforeseen material losses.

The Board's report on the systems of internal control and their effectiveness, together with the going concern statement, can be found in the Corporate Governance report on page 50.

## 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 90.

The main financial control elements are described below.

Clear terms of reference set out the duties of the Board and its committees, with delegation of operating responsibility through the Board committees to management in all locations. Group Finance and Group Treasury manuals are in place to outline the accounting policies and controls necessary in identified areas of financial risk.

Financial reporting systems are comprehensive and include weekly, monthly and annual reporting cycles. An annual budget is set across the Group and approved by the GEC and the Board. This is then updated through quarterly reforecasts, and tracked through monthly reporting of actual against both budget, forecast and prior year. Variances are reviewed by both the GEC and the Board. In each market local leadership teams review variances and key performance indicators. These are then reviewed at regional and global levels by cross-functional teams, and by global functional leadership teams. Specific reporting systems cover treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its committees on a regular basis.

## Internal audit

The Committee annually reviews and approves the scope and resourcing of the internal audit programme 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 senior management team and other external sources.

The Committee reviews:

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

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

## Auditor

The Committee and the Board put great emphasis on the objectivity of the Group's Auditor, PwC, in their reporting to shareholders. To ensure full and open communication, the Group Audit Partner from PwC and the Group Audit Engagement Director from KPMG (up to May 2014) were present at all of the Committee meetings.

The performance and effectiveness of the Auditor is reviewed annually by the Committee, and covers qualification, expertise, resources and appointment as well as assurance that there are no issues which could adversely affect the Auditor's independence and objectivity taking into

account the relevant standards. As part of risk evaluation planning the Committee considers the risk of its current Auditor withdrawing from the market.

Historically, feedback is collated from senior management around the Group, which is given to the Auditor to help them improve their processes. Going forward this process will form part of PwC's own system of quality control. The Committee also met with the Auditor without executive management being present, to discuss the adequacy of controls and any significant areas where management judgement has been applied.

The Auditor's engagement letter and the scope of the year's annual audit cycle was discussed in advance by the Committee. Following discussions between local finance teams and the local PwC offices and a review by Group management, audit and non-audit fees are reviewed by the Committee and are then recommended to the Board for approval. Details of audit and non-audit fees are given in Note 4 on page 107.

A formal statement of independence from the Auditor is received each year. The Group will not engage the Auditor to undertake any work that could threaten their independence. The Company policy with regard to non-audit assignments is detailed below.

The Group has a policy on employment of former employees of the Auditor. This requires that any such employment is considered on a case-by-case basis and takes into account the Auditing Practices Board's Ethical Standards on such appointments. Any appointment requires approval by a combination of the Group Finance Director, the Audit Committee and the Board, depending on the seniority of the appointment.

#### External audit tender

Last year we carried out an external audit tender process and PwC were appointed as our new Auditor at last year's AGM. This is in accordance with the FRC Guidance on Audit Committees and the Code, both published in September 2012, which stipulated that FTSE 350 companies should put their external audit services contract out to tender at least once every ten years. There are no contractual obligations that restrict the Committee's choice of external auditors.

The Company considers the annual appointment of the Auditor by the shareholders at the AGM to be a fundamental safeguard.

### Non-audit assignments undertaken by the Auditor

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

Policy on non-audit services:

- When considering the use of the Auditor to undertake non-audit work, the Group Finance Director should give consideration to the provisions of the FRC Guidance on Audit Committees with regard to the preservation of independence and objectivity.
- The Auditor must certify that they are acting independently.
- In providing a non-audit service, the Auditor should not:
  - audit their own work
  - make management decisions for the Group
  - create a mutuality of interest
  - find themselves in the role of advocate for the Group
- Before commissioning non-audit services, the Committee or the Group Finance Director, as appropriate, must ensure that the Auditor is satisfied that there are no issues as regards independence and objectivity.
- The Group Finance Director has authority to commission the Auditor to undertake non-audit work where there is a specific project with a cost that is not expected to exceed £50,000. This work has to be reported to the Committee at its next meeting. If the cost is expected to exceed £50,000, the agreement of the Committee is required before the work is commissioned. In either case, other potential providers must be adequately considered.
- 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.
- The Group Finance Director monitors all work done by the Auditor or other providers of accountancy services anywhere in the Group where fees are likely to exceed £10,000.

# Audit Committee report continued

## Committee evaluation

The activities of the Committee were reviewed as part of the internal Board evaluation process performed during the year under review. Details of the evaluation process can be found in the Corporate Governance report on page 55.

## Fraud

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

## Anti-bribery

An anti-bribery policy applies throughout the global business, with an assessment made as to which parts of the business present greater risk. This policy is implemented by means of a global compliance programme which focuses on areas of risk identified. All managers across the Group are required to sign and accept the policy on an annual basis, and managers and all staff in risk areas have access to an online training module. A gift and hospitality register is operated to ensure transparency. Contracts with relevant third-party companies also contain anti-bribery provisions.

## Whistleblowing

In accordance with the provisions of the Code, the Committee is responsible for reviewing the arrangements whereby staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters and ensuring that these concerns are investigated and escalated as appropriate. An external third party operates the reporting tools to ensure anonymity where required. Whistleblowing is referred to as Speak Up internally and is available to all employees in the Group. The availability of the scheme is advertised to all employees and was refreshed this year with an internal campaign to heighten awareness. The Committee receives aggregated reports on matters raised through these services and monitors their resolution throughout the Group.

# Nomination Committee report



## Dear fellow shareholder

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

This has been a very important year for both the Board and the Nomination Committee who had an integral role in ensuring that the succession planning was robust in a period of significant change. Our main focus this year has been in transitioning from our long-serving Group Chief Executive, Ian Mason, to his successor. This needed careful thought about the right skills, experience and personal qualities required in his replacement in order to deliver a significantly better financial performance for the Company.

We are very pleased with the appointment of Lindsley Ruth who has demonstrated a strong track record of delivering growth and financial performance in the international distribution sector. Our focus on being clear what qualities and experience we were looking for enabled us to move fast, ensure there was no gap between Ian leaving and Lindsley starting, and recruit someone who has been able to start making a difference straight away.

This year we also decided to strengthen the Board's eCommerce experience and skills. The appointment of Bertrand Bodson with his global digital experience will further support the Group's medium-term target of transacting 70% of our business online. The addition of a non-UK national with

considerable international experience will also help broaden the diversity amongst the Board members.

The Committee meets as required and has responsibility for the following matters:

- Reviewing the structure, size and composition of the Board to ensure it has an appropriate balance of skills, expertise, knowledge and including independence for the Board
- Reviewing succession plans for the Board, taking into account the future challenges facing the Group
- Ensuring that the procedure for appointing Directors is rigorous, transparent and objective, having regard for diversity
- Making recommendations to the Board on suitable candidates for appointments to the Board, ensuring that new Directors undergo an appropriate induction relevant to the Group

## Specific objectives during the year

As explained above, the Committee has focused on succession planning, including emergency and interim, for both Executive and Non-Executive Directors, taking into account its strategic role and the needs of the Board over the long-term.

## Specific objectives for the coming year

The Committee has helped support the business through a significant period of change this year and the new appointments will now need time and support to establish themselves fully.

Following this year's Board evaluation the Committee will continue to monitor the long-term succession plans for both the Executive and Non-Executive Directors as well as consider the strength of the succession plans below Board level to ensure we have the right capability to drive the long-term growth of the business.

## Peter Johnson

Chairman of the Nomination Committee  
21 May 2015

# Nomination Committee report

## continued

### Committee members

Peter Johnson (Chairman)  
Adrian Auer (up to 30 June 2014)  
Karen Guerra  
Paul Hollingworth  
John Pattullo  
Rupert Soames

Details of the skills and experience of the Committee members are given in their biographies on pages 44 to 46.

Members and their attendance at meetings during the year are set out in the Corporate Governance report on page 54.

During the period under review the Committee met six times and I provide updates to the Board on the proceedings of each meeting.

### Appointment of Directors

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

For our current recruitment activities we appointed Russell Reynolds Associates and The Zygos Partnership to assist us. They have no 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, sales visits to customers, presentations from key business areas, and tours of our UK warehouses, as well as technical training on legal and governance issues and any other relevant documentation.

### Terms of appointment

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

Details of the Company's policy on Executive Directors' service contracts and terms of appointment for Non-Executive Directors are set out in the Directors' Remuneration Report on pages 74 and 77 respectively.

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

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

### Succession planning

Succession planning, both at Executive and Non-Executive level, remains a key focus for the Board. The Global HR Director gave presentations to the Board during the year on organisational capability and succession planning for key senior management roles. On recommendation from the Committee, the Board agreed details of the key competencies required to enhance the composition of the Board and those competencies have been used in the search for new Directors.

### 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 advisors it appoints. The Committee states that it is in the best interests of the Company to ensure balance and diversity at Board level, and will encourage 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.

The current recruitment activities have resulted in bringing additional international composition and experience to the Board with the appointment of Lindsley Ruth (American) and Bertrand Bodson (Belgian).

# Directors' Remuneration Report

## Chairman's statement



### Dear fellow shareholder

On behalf of the Board, it gives me great pleasure to present to you the Directors' Remuneration Report (Report) for the year ended 31 March 2015, my first as Chairman of the Remuneration Committee. We will be seeking approval for the Report at the Annual General Meeting (AGM) on 23 July 2015. In line with the reporting regulations, this Report is split into three parts: this statement; a policy report (which was approved by shareholders at the 2014 AGM); and the Annual Report on Remuneration (which will be subject to an advisory vote at this year's AGM).

### Objectives for remuneration

The principal objective of our remuneration policy is to enable the Company to attract, motivate and retain the people it needs to maximise long-term value creation by our business. Our remuneration policy has been designed to support this principle by:

- Aligning the interests of executives and shareholders
- Achieving an appropriate balance between fixed and performance-related pay
- Achieving an appropriate balance between the rewards available for meeting short and long-term objectives
- Supporting the Group's desired behaviours and culture
- Complying with corporate governance best practice guidelines
- Expressing the reward strategy in a way that is understandable, clear and meaningful

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency 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 (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.

# Directors' Remuneration Report

## Chairman's statement continued

### How remuneration supports the business strategy

Pages 10 and 11 of this Annual Report and Accounts set out Electrocomponents' strategy, which is based on seven key priorities. Our success in delivering this strategy is in turn measured by four key performance indicators (KPIs): sales growth, return on sales, return on capital employed, and free cash flow as a percentage of sales. The annual bonus and Long Term Incentive Plan (LTIP) performance measures were selected to ensure executive incentive payments are aligned with performance against these KPIs:

Key performance indicator	Reflected in bonus measures?	Reflected in LTIP measures?
Group sales growth	✓ <i>Sales growth</i>	✓ <i>EPS</i>
Group return on sales	✓ <i>PBTR</i>	
Return on capital employed		✓ <i>TSR</i>
Free cash flow as a % of sales	✓ <i>Cash flow</i>	

We have developed our strategy to deliver long-term growth in shareholder value. Our short and long-term incentives link directly to the KPIs we believe will deliver that strategy. The measurement benchmarks are linked to the strategy KPIs, and our LTIP combines measures of both absolute and relative performance. The requirement to defer one-third of any bonus earned, and the use of LTIP performance shares, also serve to emphasise long-term value creation through direct linkage to the share price. It has been our practice to design our executive remuneration arrangements to ensure that executives can earn more from performance-related pay than from fixed pay; and, within the element of performance-related pay, that the long-term element (including deferred shares) is more valuable than the short-term.

Overall, we are satisfied that our remuneration policy supports the long-term goals of the business.

### Decisions made during the year

Last year we undertook to adapt to best practice as it emerges. We have done this, within the parameters of our already adopted policy. The Committee has decided to increase to 12 months the length of time Executive Directors will be required to hold their shares following LTIP vesting, with effect from the award being made in June 2015. We have also agreed to introduce clawback on Executive Director incentives in certain circumstances for future awards, and will be undertaking further work in this area over the course of the year. In the meantime, we have provided for the introduction of clawback in Lindsley Ruth's service contract and will be doing so in any new or amended senior executive contracts.

During the year, the Committee has also spent time considering the terms of and payments for loss of office for Ian Mason (details of which are shown on page 84 of this Report) and the terms of engagement for Lindsley Ruth. Details of Lindsley's pay and incentives over the coming year are shown in the implementation section of this report on pages 86 and 87. In considering these matters we have ensured we have adhered to our policies for loss of office and recruitment respectively.

Other matters which we have discussed during the year under review are set out in the table on page 79.

### Shareholder engagement during the year

I would like to thank shareholders for their support for both our remuneration policy and our Annual Report on Remuneration last year. The level of support is shown in the voting table on pages 79 and 80. Around the time of last year's AGM, we received a number of helpful suggestions from shareholder representative bodies and shareholders, which have informed this year's reporting. On my appointment as Chairman of the Committee, I offered to meet with a number of our shareholders and was pleased to be able to receive feedback on remuneration matters.

I hope that we can count on your support for the way we have implemented our policies during the year.

#### John Pattullo

Chairman of the Remuneration Committee  
21 May 2015

# Directors' Remuneration Report

## Directors' remuneration policy

This section of the Report sets out the remuneration policy for Executive and Non-Executive Directors, which was approved by shareholders at the 2014 AGM and came into effect on 24 July 2014. The section is unchanged from what was presented in last year's report (and approved by shareholders), other than to clarify our policy on forfeiture which was not included in the section on LTIP last year and to update the performance scenario charts on page 73 to reflect the new Group Chief Executive's package.

### Executive Director remuneration policy table

This policy has been designed to support the principal objective of enabling the Company to attract, motivate and retain the people it needs to maximise the value of the business.

Component: <b>Base salary</b>	
<b>Objective</b>	To provide broadly market median levels of fixed pay over the longer term, with increases reflecting Company and individual performance.
<b>Operation</b>	<p>Generally reviewed each year, with increases effective 1 June with reference to salary levels at other FTSE 250 companies of broadly similar size, sector and international scope to Electrocomponents.</p> <p>The Committee also considers the salary increases applying across the rest of the UK business when determining increases.</p>
<b>Opportunity</b>	<p>Salaries in respect of the year under review (and for 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.</p> <p>In circumstances where an Executive Director's salary is already consistent with policy, salary increases will not normally be materially different to those given to other senior managers in the Group.</p>
<b>Performance measures</b>	Not applicable.

Component: <b>Pension</b>	
<b>Objective</b>	To provide a level of retirement benefit that is competitive in the relevant market.
<b>Operation</b>	<p>Existing Directors, who previously participated in the Defined Benefit section of the Electrocomponents Group Pension Scheme (Scheme), now receive cash in lieu reflecting the prior arrangement on a cost neutral basis to the Company.</p> <p>The Defined Benefit section of the Scheme is now closed to new entrants.</p>
<b>Opportunity</b>	<p><b>For current Executive Directors</b>            Group Chief Executive: 30% of base salary<sup>1</sup>            Group Finance Director: 43.5% of base salary</p> <p>For future external hires, the level of pension contribution will be determined in the context of market norms.<sup>1</sup></p> <p>Base salary is the only element of remuneration that is pensionable.</p>
<b>Performance measures</b>	Not applicable.

1. The new Group Chief Executive receives cash in lieu of pension contributions of 20% of base salary as set out on page 87.

# Directors' Remuneration Report

## Directors' remuneration policy continued

### Component: **Benefits**

<b>Objective</b>	Provision of benefits in line with the market.
<b>Operation</b>	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 introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director.
<b>Opportunity</b>	<p>None of the existing Executive Directors received total taxable benefits exceeding 10% of salary during any of the last three financial years, 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.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (for example, relocation expenses or expatriation allowance) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs).</p> <p>Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.</p>
<b>Performance measures</b>	Not applicable.

### Component: **Annual bonus**

<b>Objective</b>	To focus Executive Directors on achieving demanding annual targets relating to Company performance.
<b>Operation</b>	<p>Performance targets are set at the start of the year and aligned with the annual budget agreed by the Board. At the end of the year, the Remuneration Committee determines the extent to which these targets have been achieved.</p> <p>For threshold performance, the bonus payout will normally be nil, but in no circumstances will exceed 10% of the maximum opportunity.</p> <p>Two-thirds of the total bonus payment is paid in cash. One-third of the total bonus payment is converted into Electrocomponents shares under the Deferred Share Bonus Plan (DSBP). These shares vest after two years, subject to continued employment and forfeiture in instances of misconduct or misstatement.</p>
<b>Opportunity</b>	<p>Maximum opportunity: 150% of base salary</p> <p>Target opportunity: 75% of base salary</p>
<b>Performance measures</b>	<ul style="list-style-type: none"> <li>■ Sales growth</li> <li>■ Profit before tax and reorganisation costs (PBTR)</li> <li>■ Cash flow</li> </ul> <p>The weightings for these performance conditions are agreed by the Committee at the start of each year, according to annual business priorities. No one element will be weighted less than 15%, or more than 50% of the total opportunity.</p> <p>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. Any such discretion will be within the limits of the scheme, and will be fully disclosed in the relevant Annual Report on Remuneration.</p> <p>Further details, including the performance targets attached to the bonus for the year under review, are given on page 81 of the Annual Report on Remuneration.</p>

Component: <b>LTIP</b>	
<b>Objective</b>	To incentivise Executive Directors and senior managers to deliver long-term performance by aligning their performance with shareholders' interests, and to reflect best practice.
<b>Operation</b>	<p>A conditional award of shares (Award) is made annually.</p> <p>The LTIP performance period is three years.</p> <p>The Award is subject both to a performance condition and, normally, to continued employment with the Group until the determination of the performance condition. Threshold performance results in nil vesting. 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.</p> <p>The Committee has discretion to adjust the formulaic LTIP outcomes to ensure the pay outcome is aligned with value creation for shareholders and that the outcome is a fair reflection of the Company's performance.</p> <p>The Committee has discretion to determine that awards that haven't vested are forfeitable in certain circumstances which currently include misconduct and misstatement.</p> <p>If no entitlement has been earned at the end of the relevant performance period, awards lapse. There is no retesting.</p> <p>There will be a further holding period of at least six months following vesting.<sup>1</sup></p>
<b>Opportunity</b>	<p>Maximum opportunity: 150% of basic salary</p> <p>In normal circumstances, however, the Committee would grant awards with a value below this level.</p> <p>Details of actual LTIP awards in respect of each year will be disclosed in the Annual Report on Remuneration.</p> <p>A payment equivalent to the dividends that would have accrued on the number of shares that vest will be made to participants on vesting.</p>
<b>Performance measures</b>	<p>Vesting of one-half of the Awards made to Executive Directors is dependent upon Electrocomponents' three-year total shareholder return (TSR) percentage outperformance of a benchmark. Vesting of the other half of the Award is conditional on growth in the Company's earnings per share (EPS).</p> <p>Further details, including the performance targets attached to the LTIP in respect of each year, will be disclosed in the Annual Report on Remuneration.</p>

1. For the forthcoming LTIP award, it has been agreed that the holding period will be 12 months.

Component: <b>Save As You Earn (SAYE)</b>	
<b>Objective</b>	To encourage the ownership of Electrocomponents plc shares.
<b>Operation</b>	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%.
<b>Opportunity</b>	Savings are capped at an agreed amount up to the individual monthly limit set by HMRC from time to time.
<b>Performance measures</b>	Not applicable.

# Directors' Remuneration Report

## Directors' remuneration policy continued

### Component: **Share ownership**

<b>Objective</b>	To align Executive Director and shareholder interests and reinforce long-term decision-making.
<b>Operation</b>	<p>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:</p> <p>Group Chief Executive: 200% of salary Group Finance Director: 100% of salary</p> <p>Only shares that are held beneficially count in the assessment of whether an Executive Director has met the required ownership level.</p>
<b>Opportunity</b>	Not applicable.
<b>Performance measures</b>	Not applicable.

### Notes to the policy table

#### Payments from previous awards

The Company will honour any commitment entered into, and Executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the remuneration policy detailed in this Report, i.e. before 24 July 2014. Details of these awards are, and will be, disclosed in the Annual Report on Remuneration.

#### Performance measure selection and approach to target setting

The annual bonus performance measures have been selected to directly reinforce our medium-term performance framework of (1) higher sales growth, (2) improved profitability, and (3) strong free cash flow (see pages 10 and 11 for further details of our strategy). The LTIP vests based on three-year TSR outperformance of the FTSE 250 index and achievement of three-year EPS growth targets. The Committee selected TSR and EPS as performance measures because it felt this would provide a good balance between external and internal measures of performance, as well as absolute and relative performance. TSR aligns performance with shareholders' interests. EPS is a measure of the profitability of the Company that also reflects management performance, and is a measure used by investors in deciding whether to invest in the Company. EPS is measured on a fully diluted basis, as shown in the Group's financial statements, as this provides an independently verifiable measure of performance.

Targets applying to the bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Bonus targets are aligned with 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.

#### Differences from remuneration policy for other employees

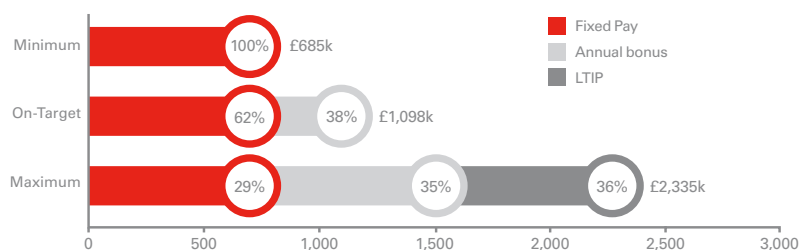
The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Company performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

All executives and senior managers are eligible to participate in annual bonus schemes. Opportunities and performance measures vary by organisational level, geographical region and an individual's role. Other members of the Group Executive Committee participate in the DSBP and LTIP on similar terms as the Executive Directors, although award sizes may vary. Below this level, senior managers are eligible to participate in the LTIP. Grants are based on personal performance and vest after three years subject to continued employment. All UK-based employees are eligible to participate in the Company's HMRC approved savings-related share scheme on identical terms. Employees based outside the UK are eligible to participate in a cash-based alternative on similar terms.

## Performance scenario charts

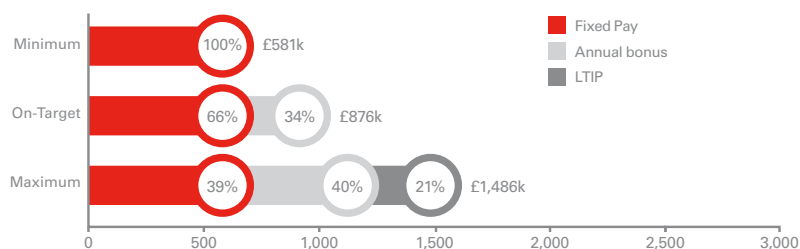
The graphs below provide estimates of the potential future reward opportunity for the Executive Directors, and the potential mix between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-Target' and 'Maximum'.

### Group Chief Executive



Note: The variation from last year reflects the package of the new Group Chief Executive. It includes ongoing remuneration and not one-off relocation and buy-out payments.

### Group Finance Director



Potential opportunities illustrated above are based on the policy applied to the base salary at 1 April 2015. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year ended 31 March 2015. It should be noted that any awards granted under the DSBP do not normally vest until the second anniversary of the date of grant, and LTIP awards do not normally vest until the third anniversary of the date of grant. This illustration is intended to show the relationship between executive pay and performance. Please note, however, that actual pay delivered will be further influenced by changes in the Company's share price and dividends paid.

### Valuation assumptions

The 'Minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance. Pension contributions are 20% of base salary for the Group Chief Executive and 43.5% for the Group Finance Director.

The 'On-Target' scenario reflects fixed remuneration as above, plus target bonus payout (75% of salary) and LTIP threshold vesting at 0% of the maximum award level.

The 'Maximum' scenario reflects fixed remuneration, plus full payout under all incentives (150% of salary under the annual bonus, and 150% and 80% of salary under the LTIP for the Group Chief Executive and Group Finance Director, respectively). The value of the LTIP assumes no increase in the underlying value of the shares.

# Directors' Remuneration Report

## Directors' remuneration policy continued

### Approach to Executive Director recruitment remuneration

#### External appointment

In cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all existing components of remuneration, as follows:

Approach to Executive Director recruitment remuneration	
<b>Base salary</b>	<p>The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of the incumbent.</p> <p>Where a new appointee has an initial base salary set below market, the Committee may make above-market phased increases over a period of two or three years, subject to the individual's development and performance in the role.</p>
<b>Benefits</b>	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or car allowance, medical insurance, company mobile phone, expatriation allowances and any necessary expenses relating to an executive's relocation.
<b>Pension</b>	New appointees will receive pension contributions into a defined contribution pension arrangement or an equivalent cash supplement, or a combination of both.
<b>SAYE</b>	New appointees will be eligible to participate on identical terms to all other employees.
<b>Annual bonus</b>	<p>The bonus structure described in the policy table will apply to new appointees. The maximum opportunity will be 150% of salary, pro-rated in the year of joining to reflect the proportion of that year employed.</p> <p>One-third of any bonus earned will be deferred into the DSBP on the same terms as other Executive Directors.</p>
<b>LTIP</b>	New appointees will be granted awards under the LTIP with a face value of up to 150% of salary per annum. Other features of the Awards will be as described in the policy table.

In determining the appropriate remuneration structure and level for the appointee, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of our shareholders. The Committee may also need to make an award of shares or cash payment in respect of a new appointment to 'buy-out' incentive arrangements forfeited on leaving a previous employer, over and above the approach and award limits outlined in the table above, availing itself of Listing Rule 9.4.2R if necessary. In doing so, the Committee will consider relevant factors including any performance conditions attached to the awards being bought out, and the likelihood of those conditions being met. Any such buy-out will have a fair value no greater than the fair value of the awards forfeited, and details will be fully disclosed in the relevant Annual Report on Remuneration.

#### Internal promotion to the Board

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

### Service contracts and policy for payment for loss of office

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. Executive Directors have service agreements that operate on a 12-month rolling basis. In line with the Committee's policy, these service agreements provide for 12 months' notice by the Company and by the Executive Directors. The Company entered into an updated service agreement with Ian Mason on 1 March 2001. This agreement replaced all prior arrangements and was amended on 24 March 2014. The Company entered into a service agreement with Simon Boddie on 25 May 2005, and with Lindsley Ruth on 26 February 2015. Copies of Executive Director service contracts are available to view at the Company's registered office.

The Committee's policy for directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Committee on a case-by-case basis taking into account the circumstances of the termination. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Committee on the same basis. The Committee will monitor and where appropriate enforce the Directors' duty to mitigate loss. When the Committee believes that it is essential to protect the Company's interests, additional arrangements may be entered into (for example, post-termination protections above and beyond those in the contract of employment) on appropriate terms. Simon Boddie and Lindsley Ruth's service agreements provide for base salary in lieu of notice. Ian Mason's service agreement provides for base salary and contractual benefits in lieu of notice. The table below summarises how awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

	Reason for cessation	Calculation of vesting/payment	Timing of vesting
<b>Annual bonus</b>	Termination with 'cause'	No bonus paid.	Not applicable.
	Resignation	No bonus is normally paid unless the Committee in its absolute discretion (and on a case-by-case basis) determines otherwise.	After the end of the financial year.
	All other circumstances	Bonuses are paid only to the extent that the associated objectives, as set at the beginning of the plan year, are met. Any such bonus would normally be paid on a pro-rata basis, taking account of the period actually worked.	After the end of the financial year.
<b>Deferred Share Bonus Plan (DSBP)</b>	Termination with 'cause'	DSBP awards lapse.	Not applicable.
	Resignation	DSBP awards normally lapse unless the Committee in its absolute discretion (and on a case-by-case basis) determines otherwise.	At the normal vesting date unless the Committee decides that awards should vest at the cessation of employment.
	Injury, retirement with the agreement of the Company, redundancy or other reason that the Committee determines in its absolute discretion (other than in cases of voluntary resignation or termination with 'cause')	DSBP awards are pro-rated to reflect the proportion of the vesting period that has elapsed on cessation of employment, unless the Committee at its discretion decides otherwise.	At the normal vesting date, unless the Committee decides that awards should vest on the date of cessation of employment.
	Death	Awards vest in full, unless the Committee at its discretion decides that awards should be time pro-rated.	As soon as possible after death.
	Change of control	Awards vest in full, unless the Committee at its discretion decides that awards should only vest in part. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On change of control.

# Directors' Remuneration Report

## Directors' remuneration policy continued

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

### External appointments

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

## Consideration of employment conditions elsewhere in the Group

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

## Consideration of shareholder views

The Committee considers shareholder views received during the year and at the AGM each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy. The vast majority of shareholders continue to express support of remuneration arrangements at Electrocomponents. The Committee keeps the remuneration policy under regular review, to ensure it continues to reinforce the Group's long-term strategy, and aligns Executive Directors with shareholders' interests. We will consult shareholders before making any significant changes to our remuneration policy.

## Non-Executive Director remuneration policy

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

It is the policy of the Board that Non-Executive Directors are not eligible to participate in any of the Company's bonus, long-term incentive or pension plans. Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Component: <b>Fees</b>	
<b>Objective</b>	To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Group.
<b>Operation</b>	<p>The fees paid to Non-Executive Directors are determined by the Board of Directors as a whole. Additional fees are payable for acting as Chairman of the Audit and Remuneration Committees, and to the Senior Independent Director.</p> <p>Fee levels are reviewed every two years, with any adjustments effective 1 April. Fees are reviewed by taking into account external advice on best practice and fee levels at other FTSE 250 companies of broadly similar size, sector and international scope to Electrocomponents.</p> <p>Time commitment and responsibility are also taken into account when reviewing fees.</p>
<b>Opportunity</b>	<p>Aggregate ordinary fees for Directors are limited to £600,000 by the Company's Articles of Association.</p> <p>The fees paid to Non-Executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p>
<b>Performance measures</b>	Not applicable.

## Approach to Non-Executive Director recruitment remuneration

In recruiting a new Non-Executive Director, the Remuneration Committee will use the policy as set out in the table above. A base fee in line with the prevailing fee schedule would be payable for serving as a Non-Executive Director, with additional fees payable for acting as Senior Independent Director, and Chairman of the Audit or Remuneration Committees.

# Directors' Remuneration Report

## Annual Report on Remuneration

The following section provides details of how our remuneration policy was implemented during the year ended 31 March 2015.

### Remuneration Committee

The Remuneration Committee is a committee of the Board. Its responsibilities are set out in its terms of reference which can be found on the Company's website at [www.electrocomponents.com](http://www.electrocomponents.com). 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:

- Rupert Soames (Chairman until 31 July 2014)
- John Pattullo (Chairman from 1 August 2014)
- Adrian Auer (until 30 June 2014)
- Karen Guerra
- Paul Hollingworth

Details of the skills and experience of the Committee members are given in their biographies on pages 44 to 46. In addition, the Company Chairman, Group Chief Executive, Group Finance Director and Global HR Director 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.

The Committee met in full five times during the year, including two unscheduled meetings in November and February to discuss matters relating to the change of Group Chief Executive. Attendance by individual Committee members at meetings is detailed in the Corporate Governance report on page 54.

### Advisers

Kepler Associates (Kepler) has advised the Committee since 2001 and, following a tender process, was reappointed by the Committee in 2005. The Committee reviewed the independence, cost and effectiveness of Kepler during the year and agreed to continue with them as their remuneration consultants. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com). In the year ended 31 March 2015, Kepler provided:

- Advice and data in respect of the remuneration of the Executive Directors
- Advice regarding the setting of performance targets for the LTIP, and the data required for the measurement of those performance targets
- Advice regarding the recruitment arrangements and remuneration package for the new Group Chief Executive
- Support in drafting the Directors' Remuneration Report for the year ended 31 March 2014

Kepler provides no other services to the Company or its Directors and the Committee considers it to be independent. Kepler's total fees for the provision of remuneration services to the Committee during the year ended 31 March 2015 were £27,000 (2014: £27,884) on the basis of time and materials.

## Main activities of the Remuneration Committee in the year ended 31 March 2015

	May	June (Sub-committee)	November (Unscheduled)	December	February (Unscheduled)	March
At specific meetings	<ul style="list-style-type: none"> <li>Approval of Directors' Remuneration Report (DRR) for year to March 2014</li> <li>Agreement of strategic KPI targets for annual bonus plan for GEC members</li> </ul>	<ul style="list-style-type: none"> <li>Final approval of LTIP vesting</li> <li>Final approval of annual bonus outcomes for year to March 2014</li> <li>Final approval of DSBP vesting</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of Ian Mason's exit arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Review of market developments in Directors' remuneration and disclosure</li> <li>Discussion regarding senior management stability through period of Group Chief Executive transition</li> <li>Initial discussion of structure of APR, LTIP and SAYE for the forthcoming financial year</li> <li>Review of the Committee timetable and terms of reference</li> <li>Results of the Board evaluation on the Committee</li> </ul>	<ul style="list-style-type: none"> <li>Agreement of Lindsley Ruth's remuneration package</li> </ul>	<ul style="list-style-type: none"> <li>Review of Executive Directors' remuneration structure and pay levels for the year to March 2016</li> <li>Discussion of performance targets for the 2016 annual bonus and LTIP award below Board level</li> <li>Consideration of market developments in Directors' remuneration and implications for our implementation in 2016 and DRR disclosure</li> <li>Approval of terms of this year's invitations for all employee share-based incentive plans</li> <li>Review of fees paid to consultants</li> <li>Review of draft DRR</li> </ul>

## Summary of shareholder voting at the 2014 AGM

Summarised below are the results at the 2014 AGM of the binding vote on policy and the advisory vote on the Annual Report on Remuneration set out in the 2014 Directors' Remuneration Report:

Vote on Policy	Total number of votes	% of votes cast
For (including discretionary)	373,438,100	99.3%
Against	2,550,067	0.7%
Total votes cast (excluding withheld votes)	375,988,167	100%
Votes withheld	2,572,404	
<b>Total votes (including withheld votes)</b>	<b>378,560,571</b>	

# Directors' Remuneration Report

## Annual Report on Remuneration continued

Vote on Annual Remuneration Report	Total number of votes	% of votes cast
For (including discretionary)	374,438,031	99.3%
Against	2,651,380	0.7%
Total votes cast (excluding withheld votes)	377,089,411	100%
Votes withheld	1,471,160	
<b>Total votes (including withheld votes)</b>	<b>378,560,571</b>	

The Committee welcomes the support received from shareholders at the 2014 AGM for remuneration at Electrocomponents.

### Single figure for total remuneration for Executive Directors (audited)

The following table provides a single figure for total remuneration of the Executive Directors for the year ended 31 March 2015 and the prior year. The values of each element of remuneration are based on the actual value delivered, where known. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

	2015 £	2014 £
<b>Ian Mason</b>		
Base salary	588,193	579,160
Taxable benefits <sup>1</sup>	18,789	18,464
Annual bonus <sup>2</sup>	99,710	515,664
LTIP <sup>3</sup>	—	—
Pension benefit <sup>4</sup>	176,458	173,748
Other <sup>5</sup>	7,466	—
<b>Total</b>	<b>890,616</b>	<b>1,287,036</b>
<b>Simon Boddie</b>		
Base salary	392,545	386,110
Taxable benefits <sup>1</sup>	15,460	15,123
Annual bonus <sup>2</sup>	100,014	343,779
LTIP <sup>3</sup>	—	—
Pension benefit <sup>4</sup>	170,757	167,958
Other <sup>5</sup>	1,568	1,333
<b>Total</b>	<b>680,344</b>	<b>914,303</b>

1. Taxable benefits consist of medical insurance, company car (or allowance), and personal fuel allowance. The table below details benefits received in the year ended 31 March 2015.

	Ian Mason	Simon Boddie
Medical insurance	£1,145	£1,145
Company car (or allowance)	£16,444	£13,115
Fuel allowance	£1,200	£1,200

- 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. Ian Mason did not receive the deferred share element of the bonus in the year under review. The deferred share element (one-third of the figure shown in the table above, where applicable) is deferred for two years. See 'Annual bonus in respect of performance for the year ended 31 March 2015' on page 81 for further details.
- For the years ended 31 March 2014 and 2015, the LTIP value shows the value of LTIP awards made in July 2011 and 2012 respectively. For 2014, all the LTIP awards lapsed based on performance and this is also expected to be the case in 2015.
- Ian Mason and Simon Boddie each received the amounts shown above as a cash supplement in lieu of pension.
- Includes options granted under the all-employee SAYE scheme during the year. On 25 June 2014 Ian Mason was granted 13,215 SAYE options and Simon Boddie was granted 2,775 SAYE options; the value of SAYE options is the embedded gain at grant (i.e. the 20% discount of the share price used at grant, multiplied by the number of options granted).

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

For the year under review, the Chairman's fee was £180,000 per annum. The Non-Executive Directors fees were increased from the beginning of the year under review from £45,000 to £50,000 per annum. This increase takes into account benchmarking analysis against the market in the context of their fees not being increased since April 2011. In addition, Paul Hollingworth, as Chairman of the Audit Committee, Rupert Soames, until 1 August 2014, and John Pattullo, for the remainder of the year under review, as Chairman of the Remuneration Committee, each received an additional fee of £10,000 per annum. From 1 August 2014 Rupert Soames received an additional fee of £5,000 for his ongoing responsibilities as Senior Independent Director.

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2015 and the prior year:

	Total fee	
	2015 £	2014 £
Peter Johnson	180,000	175,000
Adrian Auer <sup>1</sup>	12,500	45,000
Karen Guerra	50,000	45,000
Paul Hollingworth	60,000	55,000
John Pattullo	56,667	45,000
Rupert Soames	56,667	55,000

1. Adrian Auer stood down as a Director on 30 June 2014.

## Incentive outcomes for the year ended 31 March 2015

### Annual bonus in respect of performance for the year ended 31 March 2015 (audited)

The performance measures attached to the 2015 annual bonus plan were sales growth (weighted 40%), PBTR (40%) and cash flow (20%). As in 2014, target performance was calibrated to deliver a bonus of 75% of salary for the Executive Directors, with bonus payments worth up to 150% of salary for achieving stretch performance targets.

Based on the Group's performance in the year ended 31 March 2015, against targets set at the start of the year for each performance measure, the Committee has decided to make an annual cash bonus award of 16.9% of base salary to each of the Executive Directors. Further details, including the targets set and performance against each of the metrics, are provided below:

Measure and weighting	Performance level	Payout (% of max. bonus)	Target	Actual performance	Earned annual cash bonus	
					(% of max.)	(% of salary)
Sales growth (40% weighting)	Threshold	0%	0.9%	3.5%	10.4%	10.4%
	Maximum	40%	10.9%			
PBTR (40% weighting)	Threshold	8%	£94.2m	£80.1m	0%	0%
	Maximum	40%	£110.2m			
Cash flow (20% weighting)	Threshold	0%	£47.0m	£52.3m	6.5%	6.5%
	Maximum	20%	£63.0m			
				Total	16.9%	16.9%

For Simon Boddie, an additional 50% of the annual cash bonus award of 16.9% of base salary, i.e. 8.5% of his base salary, will be deferred into shares under the DSBP. This DSBP award will vest on the second anniversary of grant, subject, normally, to continued employment. Ian Mason did not receive an award of shares under the DSBP for the year under review.

# Directors' Remuneration Report

## Annual Report on Remuneration continued

The table below sets out the actual bonuses paid in cash and deferred shares for each Executive Director for the year under review:

	Annual cash bonus		Deferred shares		Total
	% of salary	£	% of salary	£	£
Ian Mason	16.9%	99,710	0%	0	99,710
Simon Boddie	16.9%	66,676	8.5%	33,338	100,014

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.

### 2012 LTIP awards vesting

In July 2012, LTIP awards of 276,975 and 138,488 shares were granted to Ian Mason and Simon Boddie respectively. Vesting of these awards was based 50% on Electrocomponents' EPS growth and 50% on Electrocomponents' relative TSR outperformance of the FTSE 250 index over the three financial years ended 31 March 2015. Based on performance over this period, the Committee anticipates that none of this award will vest. Performance targets, and actual performance against these, is summarised in the table below:

	Electrocomponents' performance	Award vesting (% of LTIP award)
TSR % outperformance of FTSE 250 index		
Threshold: Index TSR	Index – 31.9%	0%
Maximum: Index + 20%		
Annualised three-year EPS growth		
Threshold: 5% p.a.	– 13.5% p.a.	0%
Maximum: 10% p.a.		
	TOTAL	0%

### Scheme interests awarded during the year ended 31 March 2015 (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 2014):

	Ian Mason	Simon Boddie
Basis of award	One-third of earned bonus	One-third of earned bonus
Award date	4 July 2014	4 July 2014
Number of shares awarded	58,441	43,357
Award date face value (264.3p per share) <sup>1</sup>	£154,462	£114,593
Normal vesting date	4 July 2016	4 July 2016
Performance conditions	None	None

<sup>1</sup> The awards were made using the average of the closing middle market quotations of the shares for the three dealing days immediately preceding the date the shares were awarded.

**LTIP**

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

	<b>Ian Mason</b>	<b>Simon Boddie</b>
Basis of award	100% of base salary	80% of base salary
Award date	4 July 2014	4 July 2014
Number of shares awarded	219,129	116,870
Award-date face value (264.3p per share) <sup>1</sup>	£579,158	£308,887
Normal vesting date	4 July 2017 or such earlier date as the performance condition is determined	4 July 2017 or such earlier date as the performance condition is determined
Performance period	1 April 2014 – 31 March 2017	1 April 2014 – 31 March 2017
Performance conditions	<ul style="list-style-type: none"> <li>■ 3-year EPS growth – 50% of an award Threshold: 5% p.a. (0% of element vesting) Maximum: 10% p.a. (100% of element vesting)</li> <li>■ 3-year relative TSR % outperformance of FTSE 250 Index – 50% of an award Threshold: Index TSR (0% of element vesting) Maximum: Index + 20% (100% of element vesting)</li> </ul>	
Threshold vesting outcome	0%	0%
Post-vesting holding period	Six months	Six months

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

**SAYE**

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

	<b>Ian Mason</b>	<b>Simon Boddie</b>
Basis of award	Fixed £ savings contract	Fixed £ savings contract
Number of options granted	13,215	2,775
Grant date	25 June 2014	25 June 2014
Share price used for grant <sup>1</sup>	283.5p	283.5p
Exercise price	227p (20% discount to grant price)	227p (20% discount to grant price)
Normal vesting date	1 September 2019	1 September 2017
Normal expiration date	29 February 2020	28 February 2018
Performance conditions	None	None
Threshold vesting outcome	n/a	n/a

1. The share price used for grant was the average of the closing middle market quotations of the shares for 27, 28 and 29 May 2014.

# Directors' Remuneration Report

## Annual Report on Remuneration continued

### Total pension entitlements (audited)

During the year under review Ian Mason and Simon Boddie were able to participate in the Defined Benefits section of the Electrocomponents Group Pension Scheme (Scheme). However, as their pension benefits are greater than or equal to the lifetime allowance, they elected to opt out of the Scheme with effect from 5 April 2012, and receive a cash supplement in lieu of pension no greater than the cost of pension benefits previously provided. The single cash supplement, which replaced all historic cash supplements and pension benefits, will be paid until the earlier of (i) the date employment with the Company terminates and (ii) the date the Executive Director reaches age 60 (the normal retirement age). The Committee recognises that the level of pension contribution is above market norms for FTSE 250 companies of similar size. However, these levels of cash supplement reflect legacy defined benefit arrangements from which the Executive Directors opted out. The cash supplement rates for the current Executive Directors are summarised in the policy table on page 69, and the cash supplement paid during the year under review is captured in the single figure for total remuneration on page 80.

The accrued defined benefit pensions of the Executive Directors at 31 March 2015 were as follows, including revaluation from the date they opted out of the Scheme:

Ian Mason: £56,360 p.a.

Simon Boddie: £29,376 p.a.

These pensions are payable from age 60 (their normal retirement age under the Scheme). If the Directors leave service before age 60, they may elect to start receiving their pension at any time between age 55 and age 60, in which case the pension will be actuarially reduced to reflect the longer period for which it is expected to be paid.

### Payments to past Directors (audited)

No payments were made to past Directors during the year under review. Ian Mason remained a Director for the full year under review and his arrangements are therefore set out below.

### Payments for loss of office (audited)

In November 2014 it was announced that Ian Mason would be standing down as Group Chief Executive and as a Director of the Company with effect from 31 March 2015. The payments below were agreed and paid as Ian remained fully committed to the Company in accordance with certain agreed criteria until he left on 31 March 2015.

In line with the provisions of his service contract and with the Company's remuneration policy, Ian is being paid a year's salary (£590,000), and the annual cash value of his contractual benefits (comprising £177,000 in respect of pension contributions, and the remainder (£25,596) for medical insurance, life assurance, car allowance and fuel allowance). The value of the contractual benefits is equivalent to their value on the open market. These payments are being made in the financial year ending 31 March 2016. Ian's contract, which was put in place in 2001, contains no provision for mitigation. Despite this, it has been agreed that Ian's entitlement to contractual benefits will be paid monthly and will be subject to mitigation.

In addition, the Company has paid £62,500 for outplacement services provided to Ian, together with an amount of £10,000 for legal services. Both these payments were made in the year under review directly by the Company to the supplier. These payments were agreed (consistent with policy) in consideration for Ian agreeing to post-termination protections above and beyond those in his service agreement.

The Committee has exercised its discretion, in accordance with the rules of the relevant plans and the Company's remuneration policy, to permit Ian to retain his LTIP and DSBP share awards shown on page 89. These will vest in accordance with the usual leaver provisions of the plans (that is, at the normal vesting date, subject to prorating to the date he ceased employment with the Company and, in the case of the LTIP awards, subject to the achievement of the performance conditions attached to each award). Ian will receive 3,844 shares in June 2015 and 21,615 shares in July 2016 under the DSBP, and a maximum of 188,564 shares in July 2016 and 72,842 shares in July 2017 under the LTIP, less, in all cases, any shares sold to cover tax.

## External appointments in the year

During the financial year, Simon Boddie was a Non-Executive Director and Chairman of the Audit Committee of PageGroup. The fee payable for this appointment is £65,000 per annum. In June 2014, Ian Mason became a Non-Executive Director at QinetiQ Group plc, for which he receives a fee of £43,000 per annum. During the year he received £35,392 in total. Both Executive Directors are permitted to retain the fees relating to these appointments.

## Percentage change in remuneration for the Group Chief Executive

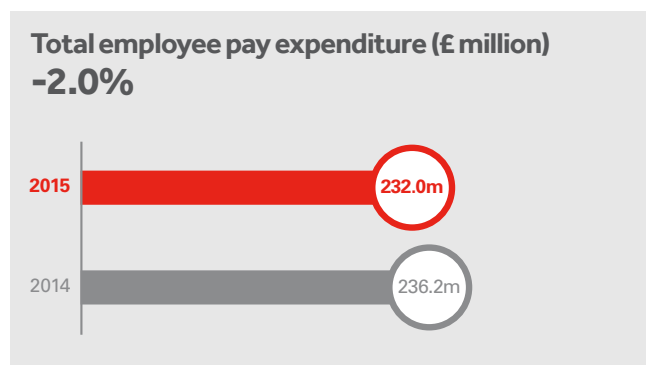
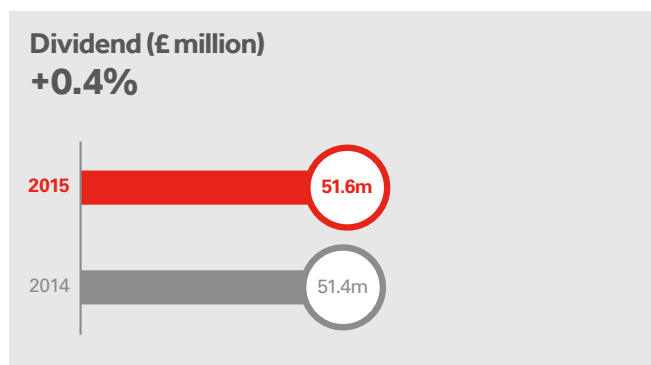
The table below shows the percentage change in the annual cash remuneration of the Group Chief Executive (comprising base salary, the value of taxable benefits and earned annual bonus, as disclosed in the single figure of remuneration table on page 80) from the prior year compared with the average percentage change for the 291 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.

	Group Chief Executive					GMT	
	Year ended 31 March 2015 £	Year ended 31 March 2014 £	Year ended 31 March 2013 £	% change 2014 – 2015	% change 2013 – 2014	% change 2014 – 2015	% change 2013 – 2014
Base salary	588,193	579,160	576,805	1.6%	0.4%	1.9%	2.8%
Taxable benefits	18,789	18,464	17,808	1.8%	3.7%	0.6%	2.7%
Annual bonus <sup>1</sup>	99,710	515,664	32,144	-80.7%	1,504.2%	-53.4%	137.0%
<b>Total</b>	<b>706,692</b>	<b>1,113,288</b>	<b>626,757</b>	<b>-36.5%</b>	<b>77.63%</b>	<b>-4.3%</b>	<b>9.0%</b>

1. The difference in percentage change in the Group Chief Executive's annual bonus (and total cash remuneration) compared with that of other senior employees reflects differences in annual bonus design: the annual bonus for the Group Chief Executive is based 100% on financial performance, whereas for the GMT it comprises an element based on personal performance and contribution.

## Relative importance of spend on pay

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



# Directors' Remuneration Report

## Annual Report on Remuneration continued

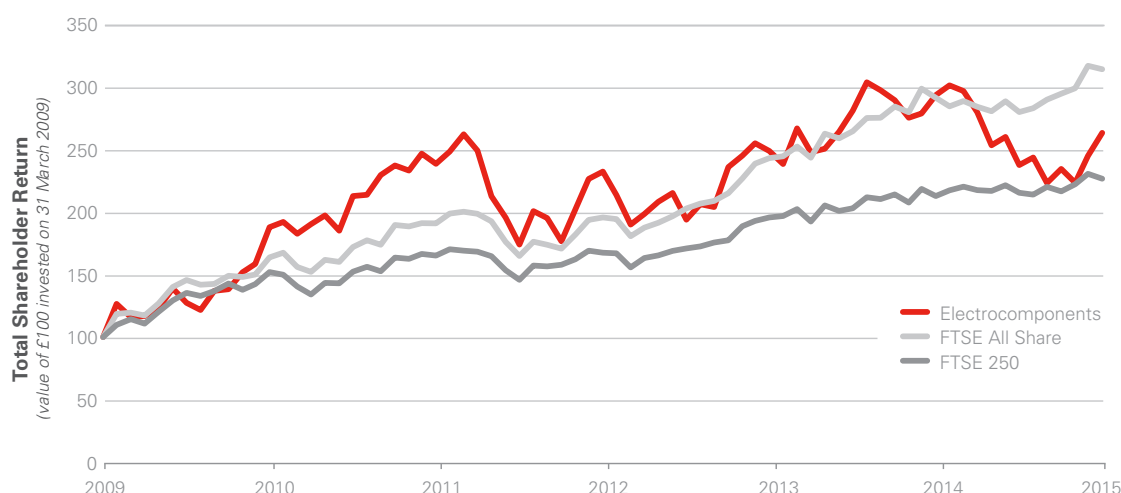
### Performance graph and table

The following graph shows the six-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 Group Chief Executive'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 2015



Group Chief Executive 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
Ian Mason total remuneration	£1,472	£1,862	£1,176	£1,223	£1,287	<b>£891</b>
Annual bonus award (as a % of maximum opportunity)	74.1%	100.0%	28.2%	3.7%	89.1%	<b>16.9%</b>
LTIP vesting (as a % of maximum opportunity)	21.4%	50.0%	20.5%	55.5%	0%	<b>0%</b>

### Implementation of Executive Director remuneration policy for the year ending 31 March 2016

#### Base salary

Base salaries are reviewed taking into account individual performance and competitive practice for similar roles in the Company's remuneration peer group. The Group Finance Director's salary was reviewed in early 2015 against a remuneration comparator group comprising UK-based FTSE 250 companies:

- With a majority of their revenues outside the UK
- In sectors such as support services, distribution and manufacturing and other similar classifications, but not financial services
- Of similar size in terms of revenue, number of employees and market capitalisation

This review identified that Simon Boddie's base salary remains above the chosen benchmark. It is the Committee's policy to align Executive Director base salaries with the market over time, and therefore the Committee approved a base salary increase of 1.7% for Simon Boddie from £393,832 to £400,527 with effect from 1 June 2015. A salary increase averaging 2.2% across the Group was awarded at the annual pay review, effective 1 June 2015.

From 1 April 2015, when he joined the Company, Lindsley Ruth will earn a base salary of £550,000 per annum.

### **Pension**

For 2016, Simon Boddie will continue to receive a cash supplement in lieu of pension worth 43.5% of base salary. Lindsley Ruth will receive a cash supplement in lieu of pension worth 20% of base salary.

### **Performance-related annual bonus**

The annual bonus opportunity for Executive Directors will remain unchanged for the 2016 financial year. The bonus outcome for Executive Directors will continue to be based on Group PBTR, Group sales growth and Group cash flow. 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 will be disclosed retrospectively in the Annual Report on Remuneration for the relevant year.

### **LTIP**

Lindsley Ruth will receive an award with a face value of £825,000 (150% of his base salary), and Simon Boddie will receive an award with a face value of £315,066 (80% of his base salary). As in the year under review, awards will again vest 50% on three-year EPS growth and 50% on three-year relative TSR percentage outperformance of the FTSE 250 index (performance targets remain unchanged and are as set out on page 83). The Committee has decided this year to increase the post-vesting holding period from six to twelve months. In addition, the Committee has decided that the awards should be forfeitable following vesting in certain circumstances. Further details of these awards will be disclosed in next year's Annual Report on Remuneration.

### **SAYE**

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

### **Additional payments to Lindsley Ruth following recruitment**

Following the announcement of the Group's results for the year under review, Lindsley will be granted a conditional award (a Recruitment Award) over 513,784 shares in the Company. The undertaking to make a Recruitment Award facilitated the recruitment of Lindsley as the Company's Group Chief Executive with effect from 1 April 2015.

The Recruitment Award is to compensate Lindsley for the value of remuneration forfeited by him upon leaving his previous employment to join the Company, and the value of the award was determined in accordance with the Company's approved Directors' remuneration policy. In determining the value of the arrangements forfeited, the Committee noted that there were no performance conditions attaching to the forfeited arrangements. It considers that the fair value of the Recruitment Award will be no greater than the fair value of the arrangements forfeited by Lindsley.

The Recruitment Award will be made on broadly the same terms as the awards made under the Company's LTIP (which was approved by shareholders on 24 July 2014), except that it will not be subject to performance conditions and a maximum of 50% of the award will vest on each of 31 December 2017 and 31 December 2018 (subject, in normal circumstances, to continued service and to the Committee being satisfied that the remuneration arrangements being replaced have been forfeited). The Recruitment Award will not be subject to any other conditions and will not attract entitlements to dividend equivalents.

The Recruitment Award will normally lapse if Lindsley leaves the Group, except where he leaves due to a sale of the business, in which case it may continue in the normal course or vest immediately and may be pro-rated for service.

Once the Recruitment Award is made, certain terms cannot be changed to the advantage of the participant without prior approval of shareholders (other than certain minor amendments). The Recruitment Award is not pensionable and is not transferable. No new issue shares or treasury shares will be used to satisfy the Recruitment Award.

# Directors' Remuneration Report

## Annual Report on Remuneration continued

### Implementation of Non-Executive Director remuneration policy for the year ending 31 March 2016

For the financial year ending 31 March 2016, Non-Executive Director fees have not been increased. Non-Executive Director fees will next be reviewed in March 2016 in respect of the year ending 31 March 2017.

### Director shareholdings (audited)

The table below shows the shareholdings of the Executive Directors and their connected persons and whether they had met their respective shareholding requirements at 31 March 2015:

	Shares held			Options held		Shareholding guideline % salary	Current holding % salary	Guideline met?
	Owned outright <sup>1</sup> or vested (A)	Performance tested but unvested (B)	Unvested, subject to performance (C)	Vested but not exercised (D)	Unvested, but not subject to performance (E)			
Ian Mason	451,599	—	842,105	—	13,215	200%	170%	No
Simon Boddie	297,745	—	437,552	—	5,298	100%	168%	Yes

1. By Directors and their connected persons.

The value of the shares used to calculate whether the shareholding guideline is met is 222.8p, being the average share price over the three months to 31 March 2015. Details of the scheme interests contained in columns B-E are provided in the tables on page 89.

The interests of the Directors and their connected persons in the Company's ordinary shares are shown below. Up to the date of this Report, there have been no changes in the Directors' interests.

	31 March 2015 or date ceased to be a Director	1 April 2014 or date appointed as a Director
Adrian Auer <sup>1</sup>	2,500	2,500
Simon Boddie	297,745	267,313
Karen Guerra	7,525	7,525
Paul Hollingworth	10,000	10,000
Peter Johnson	150,000	100,000
Ian Mason	451,599	420,996
John Pattullo	16,344	10,000
Rupert Soames	15,024	15,024

1. Adrian Auer ceased to be a Director on 30 June 2014.

## Directors' share scheme interests (audited)

### Share awards

	Notes	Scheme	Date of Award	Shares awarded at 1 April 2014	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded at 31 March 2015	Normal vesting date
Ian Mason	1	LTIP	5-Jul-11 <sup>2</sup>	201,480	—	—	201,480	—	5-Jul-14 <sup>5</sup>
			3-Jul-12	276,975	—	—	—	276,975	3-Jul-15 <sup>5</sup>
			17-Jul-13	283,235	—	—	—	283,235	17-Jul-16 <sup>5</sup>
			4-Jul-14	—	219,129	—	—	219,129	4-Jul-17 <sup>5</sup>
	3	DSBP	3-Jul-12 <sup>4</sup>	38,119	—	38,119	—	—	3-Jul-14
			21-Jun-13	4,325	—	—	—	4,325	21-Jun-15
			4-Jul-14	—	58,441	—	—	58,441	4-Jul-16
Total			804,134	277,570	38,119	201,480	842,105		
Simon Boddie	1	LTIP	5-Jul-11 <sup>2</sup>	100,740	—	—	100,740	—	5-Jul-14 <sup>5</sup>
			3-Jul-12	138,488	—	—	—	138,488	3-Jul-15 <sup>5</sup>
			17-Jul-13	135,954	—	—	—	135,954	17-Jul-16 <sup>5</sup>
			4-Jul-14	—	116,870	—	—	116,870	4-Jul-17 <sup>5</sup>
	3	DSBP	3-Jul-12 <sup>4</sup>	25,412	—	25,412	—	—	3-Jul-14
			21-Jun-13	2,883	—	—	—	2,883	21-Jun-15
			4-Jul-14	—	43,357	—	—	43,357	4-Jul-16
Total			403,477	160,227	25,412	100,740	437,552		

- All outstanding awards made to the Executive Directors under the LTIP are subject to the same performance conditions set out on page 83.
- On 11 June 2014, the Committee determined that no part of the Award made under the LTIP in July 2011 should vest as neither of the performance conditions had been satisfied.
- Outstanding DSBP awards are subject to the terms set out on page 82.
- On 4 July 2014, the award made under the DSBP in July 2012 vested in full. There are no performance conditions but vesting is dependent, normally, on continuing employment with the Company. Cash dividend entitlements of £8,958 and £5,972 were paid at vesting to Ian Mason and Simon Boddie respectively.
- The normal vesting date for the LTIP is the third anniversary of grant or such earlier date as the performance conditions are determined.

### Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 2014	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option 31 March 2015
Ian Mason	SAYE	01-Jul-09	01-Sep-14	28-Feb-15	149.00p	10,436	—	10,436 <sup>1</sup>	—	—
	SAYE	25-Jun-14	01-Sep-19	29-Feb-20	227.00p	—	13,215	—	—	13,215
	<b>Total</b>					<b>10,436</b>	<b>13,215</b>	<b>10,436</b>	<b>—</b>	<b>13,215</b>
Simon Boddie	SAYE	29-Jun-11	01-Sep-14	28-Feb-15	235.00p	1,536	—	1,536 <sup>2</sup>	—	—
		17-Jul-13	01-Sep-16	28-Feb-17	214.00p	2,523	—	—	—	2,523
		25-Jun-14	01-Sep-17	28-Feb-18	227.00p	—	2,775	—	—	2,775
<b>Total</b>						<b>4,059</b>	<b>2,775</b>	<b>1,536</b>	<b>—</b>	<b>5,298</b>

- The market value of the option on the date of exercise was £2.43 per share resulting in a gain for Ian Mason of £9,810.
- The market value of the option on the date of exercise was £2.36 per share resulting in a gain for Simon Boddie of £15.

# Statement of Directors' responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the currently serving Directors, whose names and functions are listed on pages 44 to 46, confirms that, to the best of each person's knowledge and belief:

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

The Directors are responsible for the maintenance and integrity of the Group website, [www.electrocomponents.com](http://www.electrocomponents.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**Simon Boddie**

Group Finance Director

21 May 2015

The report and accounts contain certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements including, without limitation, statements regarding the future financial 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.

# 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 2015 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

Electrocomponents plc's financial statements comprise:

- the Group Balance Sheet as at 31 March 2015;
- the Company Balance Sheet as at 31 March 2015;
- 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; and
- the Notes to the Group Accounts, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Our audit approach

Overview



- Overall group materiality: £3.75 million which represents approximately 5% of profit before tax and one-off pension credit and reorganisation costs.

- We conducted audit work over the complete financial information for six components: UK, US, Germany, France, Italy, and China operations and the Group head office. The components that are part of our scope as set out above account for 78% of group revenues and 77% of group profit before tax and one-off pension credit and reorganisation costs.

We focused on the following areas:

- Inventory obsolescence provision.
- Tax provisioning.
- Hedging activities.

## 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
<p><b>Inventory obsolescence provision</b></p> <p><i>Refer to page 58 (Audit Committee Report), page 123 (Note 17 Inventories) and page 102 (Basis of Preparation)</i></p> <p>The balance of gross inventories at 31 March 2015 was £308.5 million, against which a provision of £23.4 million was held.</p> <p>The valuation of inventory was a focus of our audit for the following reasons:</p> <ul style="list-style-type: none"> <li>■ Electrocomponents' business model is based on having a broad range and delivering products on time, often next day. This results in large quantities of inventory including many types of product being held for long periods of time which raises the risk of obsolescence of inventory.</li> <li>■ There is uncertainty about the impact of technological advances, expiry dates, and future sales levels which require management to make assumptions based on information available at the period end.</li> </ul> <p>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.</p>	<p>We obtained an understanding of the inventory provisioning methodology and how it is applied.</p> <p>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.</p> <p>We challenged the reasonableness of management's judgement regarding the obsolescence percentage applied and expected future sales levels by comparing these assumptions to historic write-offs and historic sales and found the assumptions to be reasonable.</p> <p>We tested manual adjustments 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.</p>
<p><b>Tax provisioning</b></p> <p><i>Refer to page 58 (Audit Committee Report).</i></p> <p>The Group operates in a number of territories and recognises tax provisions based on interpretation of local laws and regulations. Management are required to make certain judgements in estimating the potential outcome of audits by other jurisdictions, which can extend over several years and involve varying interpretations of transfer pricing and other regulations.</p> <p>We focused on the judgements made by management in assessing the quantification and likelihood of these potential exposures and therefore the level of provisions required against them. In particular we focused on the impact of changes in transfer pricing assumptions, which could materially impact the amounts recorded in the financial statements.</p>	<p>We involved our teams in the UK, US, France, Germany, Italy and China who have knowledge of the local tax law, including any updates to, and developments in, the application of those laws to understand the extent of any exposure arising from the Group's arrangements and the rationale for existing provisions held. Where relevant we also considered the history of past experience of the accuracy of the management's estimates of potential tax exposures, by comparing to actual settlements and found the current provisioning to be consistent with that experience.</p> <p>We reviewed the transfer pricing study performed by the Group's external advisers and noted it to be consistent with the conclusions reached by our own transfer pricing specialists.</p> <p>We met with senior management to understand the judgements made with respect to each exposure. We challenged these estimates based on our knowledge of changes to tax legislation during the year which could impact the position taken in prior years. We corroborated management's estimate by obtaining an understanding of the status and outcome of tax audits in the relevant jurisdictions and examining correspondence where material. Where applicable, we verified that the Group structure and inter-entity transactions were consistent with the explanation provided by management, including examining intercompany charges and performing walkthroughs of certain "value-add" activities that form the basis for these charges. We found management's estimates to be reasonable.</p>

# Independent Auditor's Report to the members of Electrocomponents plc continued

## Area of focus

## How our audit addressed the area of focus

### Hedging activities

Refer to page 102 (Basis of Preparation) and page 125 (Note 21 Financial Instruments)

The Group uses derivative financial instruments to hedge currency and interest rate exposures on assets and liabilities in accordance with parameters approved by the Board. The gross forward exchange contracts were £3.5 million and the gross interest rate swaps were £13.8 million at 31 March 2015. In particular the Group hedges the cash flow of inventory, cash flow of accounts payable, the currency and interest rate profile of its external debt and its net investments.

Rules on accounting for derivative instruments are complex and hedge accounting requirements and 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 entered into during the year we assessed their fair value through obtaining external confirmations and performing our own calculations. We noted no exceptions.

We checked compliance with specific hedge accounting requirements for net investment, interest rate, and foreign currency hedging.

We considered whether the hedge accounting documentation and effectiveness rules were met and whether hedge accounting could be achieved. Our work examined the accounting treatment applied for derivatives, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item. We noted no material exceptions.

We also considered the appropriateness of the disclosure of financial instruments by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles. 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 23 countries, which report into a centralised Group finance function. The local finance functions maintain their own accounting records and controls and report to the Group finance team through an integrated consolidation system.

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

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

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

The components that are part of our audit scope as set out above account for 78% of group revenues and 77% 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 and to evaluate 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:

<b>Overall group materiality</b>	£3.75 million.
<b>How we determined it</b>	5% of profit before tax and one-off pension credit and reorganisation costs of £16 million (see note 5).
<b>Rationale for benchmark applied</b>	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 one-off pension credit and reorganisation costs is appropriate as this provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.187 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 56, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and parent company's ability to continue as a going concern.

## Other required reporting

### Consistency of other information

#### Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### ISAs (UK & Ireland) reporting

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

<p>■ Information in the Annual Report is:</p> <ul style="list-style-type: none"> <li>— materially inconsistent with the information in the audited financial statements; or</li> <li>— 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</li> <li>— otherwise misleading.</li> </ul>	We have no exceptions to report arising from this responsibility.
<p>■ the statement given by the directors on page 90, in accordance with Code Provision C.1.1, 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 performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.</p>	We have no exceptions to report arising from this responsibility.
<p>■ the section of the Annual Report on pages 58 to 64, as required by Code Provision C.3.8, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</p>	We have no exceptions to report arising from this responsibility.

### 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.

# Independent Auditor's Report to the members of Electrocomponents plc continued

## 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 Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 90, 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.

**Ian Chambers** (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

21 May 2015

# Group income statement

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
<b>Revenue</b>	2,3	<b>1,266.2</b>	1,273.1
Cost of sales		<b>(701.5)</b>	(689.2)
<b>Gross profit</b>		<b>564.7</b>	583.9
Distribution and marketing expenses		<b>(448.9)</b>	(466.1)
Administrative expenses		<b>(14.6)</b>	(11.7)
<b>Operating profit</b>		<b>101.2</b>	106.1
Financial income	2	<b>2.0</b>	2.5
Financial expense	2	<b>(7.1)</b>	(7.5)
<b>Profit before tax</b>	2,3,4	<b>96.1</b>	101.1
Income tax expense	9	<b>(25.8)</b>	(29.6)
<b>Profit for the year attributable to the equity shareholders of the Parent Company</b>		<b>70.3</b>	71.5
<b>Earnings per share</b>			
Basic	11	<b>16.0p</b>	16.3p
Diluted	11	<b>15.9p</b>	16.2p
<b>Dividends</b>			
<b>Amounts recognised in the period:</b>			
Final dividend for the year ended 31 March 2014	10	<b>6.75p</b>	6.75p
Interim dividend for the year ended 31 March 2015	10	<b>5.0p</b>	5.0p
		<b>11.75p</b>	11.75p
A final dividend of 6.75p per share relating to the year has been proposed since the year end.			
The notes on pages 102 to 138 form part of these Group accounts.			
<b>Headline profit before tax</b>			
Profit before tax		<b>96.1</b>	101.1
Reorganisation costs and pension credit	5	<b>(16.0)</b>	–
		<b>80.1</b>	101.1
<b>Headline earnings per share</b>			
Basic	11	<b>13.2p</b>	16.3p
Diluted	11	<b>13.2p</b>	16.2p

# Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
<b>Profit for the year</b>		<b>70.3</b>	71.5
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to the income statement</b>			
Remeasurement of pension deficit	8	(36.9)	(20.2)
Taxation relating to remeasurement of pension deficit		7.4	3.5
<b>Items that are reclassified subsequently to the income statement</b>			
Foreign exchange translation differences		13.0	(22.4)
Net gain on cash flow hedges		1.0	1.7
Taxation relating to components of other comprehensive income		(0.3)	(0.7)
<b>Other comprehensive expense for the year</b>		<b>(15.8)</b>	(38.1)
<b>Total comprehensive income for the year</b>		<b>54.5</b>	33.4

The notes on pages 102 to 138 form part of these Group accounts.

# Group balance sheet

As at 31 March 2015

Company number: 647788

	Notes	2015 £m	2014 £m
<b>Non-current assets</b>			
Intangible assets	12	248.1	219.8
Property, plant and equipment	13	100.8	104.6
Investments	15	0.6	0.4
Other receivables	18	3.7	5.3
Other financial assets	21	13.8	3.7
Deferred tax assets	22	11.8	8.9
		<b>378.8</b>	342.7
<b>Current assets</b>			
Inventories	17	285.1	258.8
Trade and other receivables	18	218.7	214.8
Income tax receivables		2.2	8.3
Cash and cash equivalents	26	7.4	0.7
		<b>513.4</b>	482.6
<b>Current liabilities</b>			
Trade and other payables	19	(204.3)	(185.4)
Provisions and other liabilities	5	(0.7)	–
Loans and borrowings	20	(45.9)	(15.8)
Other financial liabilities	20	–	(0.7)
Income tax liabilities		(7.9)	(15.5)
		<b>(258.8)</b>	(217.4)
<b>Net current assets</b>		<b>254.6</b>	265.2
<b>Total assets less current liabilities</b>		<b>633.4</b>	607.9
<b>Non-current liabilities</b>			
Other payables	19	(7.9)	(11.8)
Retirement benefit obligations	8	(60.4)	(40.9)
Loans and borrowings	20	(127.9)	(131.4)
Other financial liabilities	21	(0.1)	(0.1)
Deferred tax liabilities	22	(68.8)	(59.4)
		<b>(265.1)</b>	(243.6)
<b>Net assets</b>		<b>368.3</b>	364.3
<b>Equity</b>			
Called-up share capital	25	44.0	44.0
Share premium account		41.9	41.5
Retained earnings		258.3	268.2
Cumulative translation reserve		23.4	10.4
Other reserves		0.7	0.2
<b>Equity attributable to the equity shareholders of the Parent Company</b>		<b>368.3</b>	364.3

These Group accounts were approved by the Board of Directors on 21 May 2015 and signed on its behalf by:

**Simon Boddie**

Group Finance Director

The notes on pages 102 to 138 form part of these Group accounts.

# Group cash flow statement

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
<b>Cash flows from operating activities</b>			
Profit before tax	2,3,4	96.1	101.1
Depreciation and other amortisation		30.5	28.1
Loss on disposal of non-current assets		0.2	1.2
Equity-settled transactions		1.5	1.5
Finance income and expense		5.1	5.0
Non-cash movement on investment in associate		(0.2)	0.2
<b>Operating cash flow before changes in working capital, interest and taxes</b>		<b>133.2</b>	137.1
Increase in inventories		(23.3)	(9.8)
Increase in trade and other receivables		(8.2)	(1.1)
Increase (decrease) in trade and other payables		10.8	(2.8)
Increase (decrease) in provisions	5	0.7	(0.6)
<b>Cash generated from operations</b>		<b>113.2</b>	122.8
Interest received		2.0	2.5
Interest paid		(7.1)	(7.5)
Income tax paid		(21.6)	(24.5)
<b>Net cash from operating activities</b>		<b>86.5</b>	93.3
<b>Cash flows from investing activities</b>			
Capital expenditure		(37.6)	(35.7)
Proceeds from sale of property, plant and equipment		0.1	0.1
<b>Net cash used in investing activities</b>		<b>(37.5)</b>	(35.6)
<b>Free cash flow</b>		<b>49.0</b>	57.7
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		0.4	1.4
Purchase of own shares		(0.6)	(0.6)
Loans drawn down (repaid)		25.1	(23.3)
Equity dividends paid	10	(51.6)	(51.4)
<b>Net cash used in financing activities</b>		<b>(26.7)</b>	(73.9)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>22.3</b>	(16.2)
Cash and cash equivalents at the beginning of the year		(15.1)	(1.4)
Effect of exchange rate fluctuation on cash		(1.7)	2.5
<b>Cash and cash equivalents at the end of the year</b>	26	<b>5.5</b>	(15.1)

The notes on pages 102 to 138 form part of these Group accounts.

	Notes	2015 £m	2014 £m
<b>Headline free cash flow</b>			
Free cash flow		49.0	57.7
Reorganisation cash flow	5	3.3	0.6
		<b>52.3</b>	58.3

# Consolidated statement of changes in equity

For the year ended 31 March 2015

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

	Share capital £m	Share premium £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
<b>At 1 April 2013</b>	<b>43.8</b>	<b>40.3</b>	<b>(0.1)</b>	<b>(1.1)</b>	<b>32.8</b>	<b>263.9</b>	<b>379.6</b>
Profit for the year	–	–	–	–	–	71.5	71.5
Foreign exchange translation differences	–	–	–	–	(22.4)	–	(22.4)
Remeasurement of pension deficit	–	–	–	–	–	(20.2)	(20.2)
Net gain on cash flow hedges (see note 21)	–	–	1.7	–	–	–	1.7
Taxation relating to components of other comprehensive income	–	–	(0.7)	–	–	3.5	2.8
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1.0</b>	<b>–</b>	<b>(22.4)</b>	<b>54.8</b>	<b>33.4</b>
Equity-settled transactions	–	–	–	–	–	1.5	1.5
Dividends paid	–	–	–	–	–	(51.4)	(51.4)
Shares allotted in respect of share awards	0.2	1.2	–	1.0	–	(1.1)	1.3
Own shares acquired	–	–	–	(0.6)	–	–	(0.6)
Related tax movements	–	–	–	–	–	0.5	0.5
<b>At 31 March 2014</b>	<b>44.0</b>	<b>41.5</b>	<b>0.9</b>	<b>(0.7)</b>	<b>10.4</b>	<b>268.2</b>	<b>364.3</b>

The notes on pages 102 to 138 form part of these Group accounts.

# Notes to the Group accounts

For the year ended 31 March 2015

## 1 Basis of preparation

### Basis of consolidation

Electrocomponents plc (the Company) is a company domiciled in England. The Group Accounts for the year ended 31 March 2015 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in a joint arrangement. Subsidiaries are entities controlled by the Company. All significant subsidiary accounts are made up to 31 March and are included in the Group Accounts. Further to the IAS Regulation (EC 1606/2002) the Group Accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU (adopted IFRS).

The Company Accounts continue to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and details of the Company Accounts, notes to the accounts and principal accounting policies are set out on pages 139 to 148.

The accounts were authorised for issue by the Directors on 21 May 2015.

### Basis of preparation

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

They are prepared on a going concern basis, (as referred to in the Corporate governance report on page 56), and on the historical cost basis except certain financial instruments detailed below.

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.

### Accounting for subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

## Estimates and judgements

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 and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made in the accounts for the year ended 31 March 2015 were in relation to pensions (note 8), goodwill (note 12), inventories (note 17) and taxation (note 9 and note 22). Further details on the application of these judgements can be found in the relevant notes.

## Statement of compliance

The Group Accounts have been prepared in accordance with International Financial Report 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 income and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

### Net investment in foreign operations

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

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

## 1 Basis of preparation continued

### Foreign currency transactions

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

### Changes in accounting policies

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

#### IFRS 10 Consolidated Financial Statements

The Group has adopted IFRS10 Consolidated Financial Statements for the first time in this financial year. There has been no impact on the Group results as a result of adopting this standard.

The following standards and interpretations have been issued but not yet applied:

#### IFRS 9 Financial Instruments

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

#### IFRS 15 Revenue from Contracts with Customers

This standard is effective for accounting periods beginning on or after 1 January 2018. The effect on the Group is still being evaluated.

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.

## 2 Analysis of income and expenditure

### Adjusted measures

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

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

### Revenue

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

### Customer loyalty schemes

The cost of loyalty schemes is treated as a deduction from sales and part of the fair value of the consideration received is deferred and subsequently recognised over the period that the awards are redeemed. The fair value of the points awarded is determined with reference to the fair value to the customer and takes into account factors such as the redemption rate.

### Vendor Rebates

The Group receives rebates from certain vendors relating substantially 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 the 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.

Previously the Group recognised rebates only once received. The change in recognition has had no material impact on the full year results, but would result in the earlier recognition of £1.6 million of rebates in our half-year financial report for the period to 30 September 2014. The total amount of vendor rebates received in the year was £7.7 million. A revised segmental analysis will be provided in our results presentation and in restated comparatives for the 2016 half-year financial report.

### Operating expense classification

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

Distribution and marketing expenses within contribution comprise local costs relating to the selling, marketing and distribution of the Group’s products, and are attributable to the region to which they relate.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 2 Analysis of income and expenditure continued

Distribution and marketing expenses within Process costs 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. Administration expenses comprise Group Finance, Legal and Group Human Resources Process expenses, together with the expenses of the Group Board.

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expenses component of finance lease payments is recognised in the income statement using the effective interest rate method.

### Borrowing costs

Borrowing costs are recognised in the income statement as incurred.

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

	2015 £m	2014 £m
Revenue	1,266.2	1,273.1
Cost of sales	(701.5)	(689.2)
Distribution and marketing expenses within contribution	(316.4)	(326.0)
Headline contribution before Process costs	248.3	257.9
Distribution and marketing expenses within Process costs	(148.5)	(140.1)
Administrative expenses within Process costs	(14.6)	(11.7)
Headline process costs	(163.1)	(151.8)
Headline operating profit	85.2	106.1
Bank interest receivable	2.0	2.5
Bank interest payable	(4.5)	(4.8)
Private placement note interest payable net of derivatives	(2.6)	(2.7)
Net financial expense	(5.1)	(5.0)
Headline profit before tax	80.1	101.1
Reorganisation costs and pension credit	16.0	–
Profit before tax	96.1	101.1

## 3 Segmental reporting

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

These operating segments are: the UK, Continental Europe, North America and Asia Pacific. The UK comprises operations in the UK and exports to distributors where the Group does not have a local operating company. Continental Europe comprises operations in France, Germany, Italy, Austria, Denmark, Norway, Sweden, Republic of Ireland, Spain, Switzerland, the Netherlands, Belgium, Poland, Hungary and the Czech Republic. North America comprises operations in the United States of America and Canada. Asia Pacific comprises operations in Japan, Australia, New Zealand, Singapore, Malaysia, Philippines, Thailand, Hong Kong, Taiwan, People's Republic of China, South Korea, Chile and South Africa. Each reporting segment derives its revenue from the high service level distribution of electronics, automation & control and Other Maintenance 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.

**3 Segmental reporting** continued

	2015 £m	2014 £m
<b>Revenue from external customers</b>		
United Kingdom	363.8	374.3
Continental Europe	447.3	460.6
North America	302.7	281.3
Asia Pacific	152.4	156.9
	<b>1,266.2</b>	<b>1,273.1</b>
	2015 £m	2014 £m
<b>Headline contribution</b>		
United Kingdom	98.8	107.5
Continental Europe	95.7	99.4
North America	41.9	39.1
Asia Pacific	11.9	11.9
	<b>248.3</b>	<b>257.9</b>
	2015 £m	2014 £m
<b>Reorganisation costs and pension credit</b>		
United Kingdom	10.9	–
Continental Europe	(0.8)	–
North America	–	–
Asia Pacific	(1.8)	–
Process costs	7.7	–
	<b>16.0</b>	<b>–</b>
<b>Reported contribution</b>		
United Kingdom	109.7	107.5
Continental Europe	94.9	99.4
North America	41.9	39.1
Asia Pacific	10.1	11.9
	<b>256.6</b>	<b>257.9</b>
<b>Reconciliation of contribution to profit before tax</b>		
Contribution	256.6	257.9
Group Process costs	(155.4)	(151.8)
Net financial expense	(5.1)	(5.0)
Profit before tax	<b>96.1</b>	<b>101.1</b>

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

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 3 Segmental reporting continued

	2015 £m	2014 £m
<b>Capital expenditure</b>		
United Kingdom	30.2	32.1
Continental Europe	0.6	1.7
North America	3.5	2.1
Asia Pacific	1.5	2.3
	<b>35.8</b>	38.2

	2015 £m	2014 £m
<b>Depreciation and amortisation</b>		
United Kingdom	4.0	3.4
Continental Europe	1.4	1.6
North America	1.3	3.0
Asia Pacific	0.6	0.7
Process costs	23.2	19.4
	<b>30.5</b>	28.1

The Intangible assets and Property, plant and equipment of the Group are reported within the geographic region to which they relate. The depreciation and amortisation of assets are expensed through the geography if they relate to a cost that is incurred by an Operating Company or through Process costs if they relate to costs incurred by a Group Process.

The Group's growth strategy is focused on Electronics and Automation and Control Products. All other products are classified as Other Maintenance and are managed separately.

	2015 £m	2014 £m
Electronics and Automation and Control products	698.4	696.1
Other Maintenance products	567.8	577.0
	<b>1,266.2</b>	1,273.1

#### 4 Profit before tax

	2015 £m	2014 £m
Profit before tax is stated after charging (crediting):		
Fees payable to the company's auditors for the audit of the Parent Company and Group accounts	0.1	0.1
Fees payable to the company's auditors and its associates for other services:		
Audit-related assurance services	0.1	0.1
The audit of the company's subsidiaries, pursuant to legislation	0.6	0.6
Other services relating to taxation	–	0.3
Depreciation	10.8	10.9
Amortisation of intangibles	19.7	17.2
Amortisation of government grants	(0.2)	(0.2)
Loss on disposal of intangible assets and property, plant and equipment	0.2	1.2
Hire of plant and machinery	7.9	7.6

#### 5 Reorganisation costs and pension credit

Items excluded from headline profit arising during the period were as follows:

	2015 £m	2014 £m
Redundancy and associated costs	(4.4)	–
Pension credit	20.4	–
	16.0	–

Costs are classified as reorganisation items if they are one-off in nature and relate to the removal of an ongoing overhead from the business in line with the Group's strategic objectives.

During the year, the Group undertook restructuring activities in several markets in line with the Group strategy. The costs incurred in relation to this activity included redundancy and associated consultancy costs. £3.3 million of the costs were paid in the year, £0.4 million related to the write down of assets and the remaining £0.7 million is held within provisions due in less than one year. The Group also made changes to the defined benefit pension scheme in the UK resulting in a one-off credit of £20.4 million with no cash impact. See page 111 for details.

#### 6 Employees

Numbers employed	2015	2014
The monthly average number of employees during the year was:		
Management	408	399
Distribution and marketing	5,837	5,813
	6,245	6,212
Aggregate employment costs	2015 £m	2014 £m
Wages and salaries	188.8	192.2
Social security costs	21.9	22.2
Share based payments	2.0	2.6
Pension costs	19.3	19.2
	232.0	236.2

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 6 Employees continued

### Directors' emoluments

	2015 £000		2014 £000	
	Highest paid director	Other directors	Highest paid director	Other directors
<b>Aggregate emoluments</b>				
Aggregate emoluments	706.7	474.5	941.4	630.4
Termination payments	865.0	–	–	–
Deferred share plans	–	33.3	171.9	114.6
Cash supplement in lieu of pension	176.5	170.8	173.7	168.0
Gains realised on exercise of share options	9.8	–	–	2.8
	<b>1,758.0</b>	<b>678.6</b>	1,287.0	915.8

	2015	2014
Number of directors		
Exercising share options	2	2
Receiving shares as part of long term incentive schemes	2	2

Further information is available on directors' remuneration in the Remuneration Report on pages 67 to 89.

## 7 Share-based payments

### Employee benefits

#### Share-based payment transactions

The Group operates several share-based payment schemes, the largest of which are the Save As You Earn Scheme (SAYE), the Long Term Incentive Plan (LTIP) 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.

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

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

The Group has chosen to adopt the exemption whereby IFRS 2, Share-Based Payments, is applied only to awards made after 7 November 2002.

The total charge included in the Income Statement in the year was £2.0 million (2014: £2.6 million). Of the total charge £1.5 million (2014: £1.5 million) related to equity-settled share schemes and £0.5 million (2014: £1.1 million) related to cash-settled share schemes.

#### Deferred Share Bonus Plan (DSBP)

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 214,958 shares (2014: 17,665) were conditionally awarded to the scheme's participants.

Deferred shares relating to the bonus awards to senior managers for the year ended 31 March 2015 will be awarded in June 2015.

## 7 Share-based payments continued

Details of conditional awards of shares and cash entitlements outstanding as at 31 March 2015 are set out below:

	Number of shares	
	2015	2014
Shares	<b>195,316</b>	165,176
Share equivalent awards to be paid in cash	–	3,413
	<b>195,316</b>	168,589

### Long Term Incentive Plan (LTIP)

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

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

	LTIP 2014	LTIP 2013	LTIP 2012	LTIP 2011
Total options granted	<b>1,098,438</b>	1,068,944	1,606,980	1,495,629
Options subject to market-based performance conditions	<b>347,175</b>	394,869	815,281	519,386
Fair value at grant date	<b>116.0p</b>	108.0p	105.0p	144.0p
Assumptions used				
Share price	<b>264p</b>	256p	226p	274p
Exercise price	<b>Nil</b>	Nil	Nil	Nil
Expected volatility	<b>31.9%</b>	32.0%	32.1%	34.6%
Expected option life	<b>3 years</b>	3 years	3 years	3 years
Expected dividend yield	<b>4.74%</b>	5.09%	5.10%	7.30%
Risk free interest rate	<b>0.85%</b>	0.58%	0.20%	1.80%

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 (SAYE)

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

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 7 Share-based payments continued

The fair value of SAYE options was calculated at the grant date using a Black-Scholes model based on the assumptions below:

	SAYE 3 yr 2014	SAYE 5 yr 2014	SAYE 3 yr 2013	SAYE 5 yr 2013	SAYE 3 yr 2012	SAYE 5 yr 2012	SAYE 3 yr 2011	SAYE 5 yr 2011	SAYE 5 yr 2010
Options granted	<b>1,075,809</b>	<b>390,151</b>	622,275	265,910	1,223,209	466,184	660,883	299,559	370,029
Fair value at grant date	<b>47.7p</b>	<b>44.9p</b>	52.0p	47.3p	40.2p	37.1p	47.5p	45.0p	52.5p
Assumptions used:									
Share price	<b>264p</b>	<b>264p</b>	256p	256p	201p	201p	269p	269p	217p
Exercise price	<b>227p</b>	<b>227p</b>	214p	214p	164p	164p	235p	235p	175p
Expected volatility	<b>31.9%</b>	<b>34.1%</b>	32.0%	36.4%	32.1%	36.1%	34.6%	33.1%	32.9%
Expected option life	<b>3 years</b>	<b>5 years</b>	3 years	5 years	3 years	5 years	3 years	5 years	5 years
Expected dividend yield	<b>4.70%</b>	<b>6.20%</b>	5.00%	7.10%	5.50%	7.40%	4.30%	7.80%	8.90%
Risk free interest rate	<b>0.85%</b>	<b>0.60%</b>	0.58%	0.40%	0.16%	0.40%	1.40%	2.16%	4.27%

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

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

	Weighted average exercise price 2015	Number of options (000) 2015	Weighted average exercise price 2014	Number of options (000) 2014
Outstanding at the beginning of the year	<b>80p</b>	<b>9,045</b>	71p	10,561
Forfeited during the year	<b>198p</b>	<b>(100)</b>	182p	(105)
Lapsed during the year	<b>60p</b>	<b>(1,817)</b>	49p	(1,182)
Exercised during the year	<b>153p</b>	<b>(675)</b>	53p	(2,841)
Granted during the year	<b>118p</b>	<b>4,133</b>	107p	2,612
Outstanding at the end of the year	<b>100p</b>	<b>10,586</b>	80p	9,045
Exercisable at the end of the year	<b>n/a</b>	<b>–</b>	n/a	–

The options outstanding at 31 March 2015 have an exercise price in the range 0p to 235p and a weighted average contractual life of 3.1 years.

	Number of options (000) 2015	Number of options (000) 2014
Option prices		
£nil–£1.00	<b>5,263</b>	4,744
£1.00–£2.00	<b>2,176</b>	2,540
£2.00–£3.00	<b>3,147</b>	1,761
	<b>10,586</b>	9,045

## 8 Pension schemes

### Employee benefits

#### Pension costs

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

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

The cost of the defined benefit scheme charged to the income statement comprises: service cost, net interest cost and administrative expenses and taxes. The Group has elected to adopt the amendment to IAS19 (revised), which allows actuarial gains and losses to be recorded in the Consolidated Statement of Comprehensive Income immediately.

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

Every 3 years, the Trustee of the UK defined benefit scheme is required by legislation to review the level of funding in the pension scheme. In the event that there is a funding deficit, the Trustee and the Company will agree a recovery plan to eliminate that deficit over as short a period as is reasonably affordable. The last formal valuation of the UK defined benefit scheme was at 31 March 2013.

In order to mitigate the increase in the UK deficit, the Company has made some changes to the benefits under the UK defined benefit scheme which resulted in a one-off non cash pension credit of £20.4 million being recognised in the period. Subsequently, the Company agreed with the Trustee a new deficit recovery plan with payments totalling £24.4 million over the next 7 years.

The net UK pension credit for the year ended 31 March 2015 amounted to £14.5 million (2014: cost of £7.2 million). The contributions paid by the Group to the defined contribution section of the scheme amounted to £5.2 million (2014: £5.3 million). The Group expects to pay £6.4 million to its UK defined benefit pension scheme in 2015/16.

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

The rules of the UK Electrocomponents Group Pension scheme give the Trustee powers to wind up the scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. Although the scheme is currently in deficit on a statutory funding basis, the Trustee and the Company have agreed a plan to eliminate the deficit over time and the Trustee has confirmed as at 23 April 2015 that it has no current intention of exercising its power to wind up the scheme.

The costs of the defined benefit pension scheme in Germany and Republic of Ireland were £0.3 million (2014: £0.2 million). The costs of the defined contribution schemes in Australia, North America and Europe were £3.0 million (2014: £2.4 million), and those via government retirement indemnity schemes in Europe and North Asia were £2.2 million (2014: £4.1 million).

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 8 Pension schemes continued

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

	2015			2014		
	UK	Germany	Republic of Ireland	UK	Germany	Republic of Ireland
Discount rate	3.30%	1.60%	1.60%	4.50%	3.50%	3.50%
Rate of increase in pensionable salaries	Nil	2.50%	n/a	2.55%	2.50%	n/a
Rate of RPI price inflation	2.90%	1.75%	1.75%	3.30%	2.00%	2.00%
Rate of CPI price inflation	2.10%	1.75%	1.75%	2.50%	2.00%	2.00%
Rate of pension increases						
RPI inflation capped at 5% p.a	2.85%	n/a	n/a	3.20%	n/a	n/a
RPI inflation capped at 2.5% p.a	2.10%	n/a	n/a	2.20%	n/a	n/a

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

	2015			2014		
	UK Years	Germany Years	Republic of Ireland Years	UK Years	Germany Years	Republic of Ireland Years
Member aged 65 (current life expectancy): male	22.4	19.0	20.9	22.3	19.2	22.7
Member aged 65 (current life expectancy): female	24.1	23.1	23.5	24.0	23.3	24.0
Member aged 45 (life expectancy at aged 65): male	23.8	19.1	24.0	23.7	19.3	25.6
Member aged 45 (life expectancy at aged 65): female	26.3	24.2	26.1	26.2	24.5	26.5

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

	2015				2014			
	UK £m	Germany £m	Republic of Ireland £m	Total £m	UK £m	Germany £m	Republic of Ireland £m	Total £m
Current service cost	3.9	–	–	3.9	6.2	–	0.1	6.3
Past service cost	(20.4)	–	–	(20.4)	–	–	–	–
Interest expense	18.6	0.2	0.2	19.0	17.2	0.1	0.2	17.5
Interest income on plan assets	(17.1)	–	(0.1)	(17.2)	(16.8)	–	(0.2)	(17.0)
Administrative expenses	0.5	–	–	0.5	0.6	–	–	0.6
Total Income Statement (credit) charge	(14.5)	0.2	0.1	(14.2)	7.2	0.1	0.1	7.4

Of the net credit for the year, a charge of £0.2 million (2014: £0.2 million) has been included in administrative expenses and a net credit of £14.7 million (2014: charge £7.2 million) in distribution and marketing expenses. The actual gain on scheme assets was: UK £70.5 million (2014: £6.8 million), Germany £nil (2014: £nil) and Republic of Ireland £1.3 million (2014: £0.6 million).

## 8 Pension schemes continued

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

	2015			2014		
	UK £m	Germany £m	Republic of Ireland £m	UK £m	Germany £m	Republic of Ireland £m
<b>Quoted managed funds</b>						
Diversified growth funds	122.2	n/a	n/a	110.0	n/a	n/a
Credit funds	13.9	n/a	1.8	12.3	n/a	1.5
Corporate bonds	16.2	n/a	n/a	15.8	n/a	n/a
Equities	n/a	n/a	3.5	n/a	n/a	3.1
<b>Other managed funds</b>						
Equities	108.2	n/a	n/a	98.7	n/a	n/a
Diversified growth funds	62.6	n/a	n/a	54.1	n/a	n/a
Liquidity funds	12.0	n/a	n/a	10.6	n/a	n/a
Government bonds	49.8	n/a	n/a	53.1	n/a	n/a
Matching plus funds	62.5	n/a	n/a	29.3	n/a	n/a
Cash	1.2	n/a	n/a	1.0	n/a	n/a
Total market value of scheme assets	448.6	–	5.3	384.9	–	4.6

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

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

	2015				2014			
	UK £m	Germany £m	Republic of Ireland £m	Total £m	UK £m	Germany £m	Republic of Ireland £m	Total £m
Total market value of assets	448.6	–	5.3	453.9	384.9	–	4.6	389.5
Present value of scheme liabilities	(495.8)	(7.7)	(6.7)	(510.2)	(418.6)	(6.2)	(5.6)	(430.4)
Schemes' deficit	(47.2)	(7.7)	(1.4)	(56.3)	(33.7)	(6.2)	(1.0)	(40.9)

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 8 Pension schemes continued

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

	2015				2014			
	UK £m	Germany £m	Republic of Ireland £m	Total £m	UK £m	Germany £m	Republic of Ireland £m	Total £m
Present value of the defined benefit obligations at the beginning of the year	418.6	6.2	5.6	430.4	396.7	5.7	4.8	407.2
Movement in year:								
Current service cost	3.9	–	–	3.9	6.2	–	0.1	6.3
Past service cost	(20.4)	–	–	(20.4)	–	–	–	–
Interest expense	18.6	0.2	0.2	19.0	17.2	0.1	0.2	17.5
Insurance premiums for risk benefits	(0.1)	–	–	(0.1)	(0.3)	–	–	(0.3)
Effect of changes in demographic assumptions	–	–	(0.3)	(0.3)	6.2	–	–	6.2
Effect of changes in financial assumptions	86.6	2.3	2.3	91.2	(8.0)	0.5	0.6	(6.9)
Effect of experience adjustments	–	–	(0.1)	(0.1)	10.7	–	–	10.7
Benefits paid	(11.4)	(0.1)	(0.1)	(11.6)	(10.1)	(0.2)	(0.1)	(10.4)
Exchange differences	–	(0.9)	(0.9)	(1.8)	–	0.1	–	0.1
Present value of the defined benefit obligations at the end of the year	495.8	7.7	6.7	510.2	418.6	6.2	5.6	430.4

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

	2015				2014			
	UK £m	Germany £m	Republic of Ireland £m	Total £m	UK £m	Germany £m	Republic of Ireland £m	Total £m
Present value of the fair value of scheme assets at the beginning of the year	384.9	–	4.6	389.5	384.3	–	3.9	388.2
Movement in year:								
Interest income	17.1	–	0.2	17.3	16.8	–	0.2	17.0
Return on plan assets (excluding interest income)	53.4	–	1.3	54.7	(10.0)	–	0.4	(9.6)
Contributions by company	5.2	0.1	0.1	5.4	4.8	0.2	0.2	5.2
Benefits paid	(11.4)	(0.1)	(0.1)	(11.6)	(10.1)	(0.2)	(0.1)	(10.4)
Administrative expenses	(0.5)	–	–	(0.5)	(0.6)	–	–	(0.6)
Insurance premiums for risk benefits	(0.1)	–	–	(0.1)	(0.3)	–	–	(0.3)
Exchange differences	–	–	(0.8)	(0.8)	–	–	–	–
Present value of the fair value of scheme assets at the end of the year	448.6	–	5.3	453.9	384.9	–	4.6	389.5

## 8 Pension schemes continued

The value of the assets held by external Additional Voluntary Contributions (AVCs) amounted to £0.1 million as at 31 March 2015 (2014: £0.1 million).

The value of the assets held by the defined contribution section of the UK scheme amounted to £43.1 million as at 31 March 2015 (2014: £32.7 million).

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

The following analysis estimates the impact of various assumption changes on the UK defined benefit pension obligation, whilst holding all other assumptions constant.

Effect on obligation of a 0.1% increase in the assumed discount rate	Liabilities reduce by £11.0m
Effect on obligation of a 0.1% increase in the assumed inflation rate	Liabilities increase by £9.6m
Effect on obligation of an assumed increase of one year's life expectancy	Liabilities increase by £15.2m

## 9 Income tax expense

### Tax

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

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

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

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

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

Taxation on the profit of the Group	2015 £m	2014 £m
UK corporation tax at 21% (2014: 23%)	4.0	13.4
UK deferred taxation	3.6	0.1
	7.6	13.5
Overseas current taxation	16.0	10.1
Overseas deferred taxation	2.2	6.0
Total income tax expense in Income Statement	25.8	29.6

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 9 Income tax expense continued

Total tax expense is reconciled to a notional 21% (2014: 23%) of profit before taxation as follows:

	2015 £m	2014 £m
Expected tax charge	20.1	23.3
Differences in overseas corporation tax rates	7.9	6.4
Impact of tax losses <sup>1</sup>	(0.1)	1.4
Items not taxable for tax purposes	(2.6)	(3.0)
Other local taxes suffered overseas	0.8	0.7
(Over) under provision in prior years	(0.3)	0.8
	25.8	29.6

1. Tax losses refer to losses not previously recognised within deferred tax assets

## Tax (income) expense recognised directly in other comprehensive income

	2015 £m	2014 £m
<b>Recognised in retained earnings</b>		
Relating to remeasurement of pension deficit	(7.4)	(3.5)
<b>Recognised in the hedging reserve</b>		
Relating to gain on cash flow hedges	0.3	0.7
	(7.1)	(2.8)
<b>Tax expense (income) recognised directly in equity</b>		
Relating to equity-settled transactions	0.2	(0.5)

The 2014 Budget on 19 March 2014 announced that the UK corporation tax rate will reduce to 20% from 1 April 2015. The reduction to 20% was substantively enacted on 3 July 2012. This will apply to the company's future tax charge. Accordingly, both recognised and unrecognised deferred tax balances as at 31 March 2015 have been calculated at a rate of 20%.

Deferred taxation balances are analysed in note 22.

## 10 Dividends

	2015 £m	2014 £m
Amounts recognised and paid in the period:		
Final dividend for the year ended 31 March 2014: 6.75p (2013: 6.75p)	29.6	29.5
Interim dividend for the year ended 31 March 2015: 5.0p (2014: 5.0p)	22.0	21.9
	51.6	51.4
Proposed final dividend for the year ended 31 March 2015: 6.75p	29.7	

The amount waived by the trustees of the Employee Benefit Trust in respect of the interim and final dividends was £0.1 million (2014: £0.1 million). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 23 July 2015 and has not been included as a liability in these accounts.

## 11 Earnings per share

	2015 £m	2014 £m
Profit for the year attributable to the equity shareholders of the parent company	70.3	71.5
Reorganisation costs and pension credit	(16.0)	–
Tax impact of reorganisation costs and pension credit	3.7	–
Headline profit for the year attributable to the equity shareholders of the parent company	58.0	71.5
Weighted average number of shares	439,490,280	439,089,865
Dilutive effect of share options	1,318,417	3,099,210
Diluted weighted average number of shares	440,808,697	442,189,075
	Pence	Pence
Basic earnings per share	16.0	16.3
Diluted earnings per share	15.9	16.2
Headline basic earnings per share	13.2	16.3
Headline diluted earnings per share	13.2	16.2

There were no further share options (2014: nil) outstanding as at 31 March 2015 that were anti-dilutive.

## 12 Intangible assets

### Goodwill and other intangibles

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

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

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

Trademarks	5%
Software	12.5%–50%

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

### Impairment

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

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

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 12 Intangible assets continued

Cost	Goodwill £m	Software £m	Other intangibles £m	Total £m
At 1 April 2013	172.2	177.0	0.3	349.5
Additions	–	28.4	0.1	28.5
Disposals	–	(5.2)	–	(5.2)
Reclassification	–	2.7	–	2.7
Translation differences	(15.4)	(3.3)	–	(18.7)
At 1 April 2014	<b>156.8</b>	<b>199.6</b>	<b>0.4</b>	<b>356.8</b>
Additions	–	<b>27.0</b>	<b>0.1</b>	<b>27.1</b>
Disposals	–	<b>(6.4)</b>	–	<b>(6.4)</b>
Reclassification	–	<b>0.5</b>	–	<b>0.5</b>
Translation differences	<b>19.7</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>19.4</b>
<b>At 31 March 2015</b>	<b>176.5</b>	<b>220.5</b>	<b>0.4</b>	<b>397.4</b>
<b>Amortisation</b>				
At 1 April 2013	–	125.8	0.2	126.0
Charged in the year	–	17.1	0.1	17.2
Disposals	–	(4.1)	–	(4.1)
Translation differences	–	(2.1)	–	(2.1)
At 1 April 2014	–	<b>136.7</b>	<b>0.3</b>	<b>137.0</b>
Charged in the year	–	<b>19.6</b>	<b>0.1</b>	<b>19.7</b>
Disposals	–	<b>(6.1)</b>	–	<b>(6.1)</b>
Translation differences	–	<b>(1.2)</b>	<b>(0.1)</b>	<b>(1.3)</b>
<b>At 31 March 2015</b>	–	<b>149.0</b>	<b>0.3</b>	<b>149.3</b>
<b>Net book value</b>				
<b>At 31 March 2015</b>	<b>176.5</b>	<b>71.5</b>	<b>0.1</b>	<b>248.1</b>
At 31 March 2014	156.8	62.9	0.1	219.8
At 31 March 2013	172.2	51.2	0.1	223.5

Of total goodwill of £176.5 million (2014: £156.8 million), £176.0 million (2014: £156.2 million) related to the acquisition of Allied Electronics Inc. in July 1999, and £0.5 million (2014: £0.6 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 £9.6 million (2014: £7.3 million).

### Value in use calculations

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

These calculations use discounted cash flow projections based on actual operating results together with management projections for five 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 five years, are extrapolated using a long term annual growth rate of 2% (2014: 2%) which is consistent with the prudent 'market estimate' long-term average growth rate for the distribution industry.

A pre-tax discount rate of 12.7% (2014: 7.1%) has been applied in calculating the discounted projected cash flows.

## 12 Intangible assets continued

### Key assumptions

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

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

The discount rate is based upon the Group's Weighted Average Cost of Capital (WACC) at 31 March 2015 and has been calculated reflecting market assessments at that time.

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

### Outcome of calculations

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

## 13 Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation and impairment. 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.

### 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.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 13 Property, plant and equipment continued

Cost	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
At 1 April 2013	112.6	133.8	78.2	324.6
Additions	0.6	7.1	2.0	9.7
Disposals	–	(0.7)	(3.4)	(4.1)
Reclassification	–	–	(2.7)	(2.7)
Translation differences	(2.8)	(2.3)	(1.7)	(6.8)
At 1 April 2014	<b>110.4</b>	<b>137.9</b>	<b>72.4</b>	<b>320.7</b>
Additions	<b>1.7</b>	<b>4.2</b>	<b>2.8</b>	<b>8.7</b>
Disposals	–	<b>(0.3)</b>	<b>(5.2)</b>	<b>(5.5)</b>
Reclassification	<b>1.2</b>	<b>(1.2)</b>	<b>(0.5)</b>	<b>(0.5)</b>
Translation differences	<b>(2.3)</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>(4.1)</b>
<b>At 31 March 2015</b>	<b>111.0</b>	<b>139.1</b>	<b>69.2</b>	<b>319.3</b>
<b>Depreciation</b>				
At 1 April 2013	36.4	111.5	64.6	212.5
Charged in the year	2.5	4.8	3.6	10.9
Disposals	–	(0.5)	(3.4)	(3.9)
Translation differences	(0.6)	(1.6)	(1.2)	(3.4)
At 1 April 2014	<b>38.3</b>	<b>114.2</b>	<b>63.6</b>	<b>216.1</b>
Charged in the year	<b>2.5</b>	<b>4.5</b>	<b>3.8</b>	<b>10.8</b>
Disposals	–	<b>(0.3)</b>	<b>(5.2)</b>	<b>(5.5)</b>
Reclassification	<b>0.8</b>	<b>(0.9)</b>	<b>0.1</b>	–
Translation differences	<b>(1.0)</b>	<b>(1.5)</b>	<b>(0.4)</b>	<b>(2.9)</b>
<b>At 31 March 2015</b>	<b>40.6</b>	<b>116.0</b>	<b>61.9</b>	<b>218.5</b>
<b>Net book value</b>				
<b>At 31 March 2015</b>	<b>70.4</b>	<b>23.1</b>	<b>7.3</b>	<b>100.8</b>
At 31 March 2014	72.1	23.7	8.8	104.6
At 31 March 2013	76.2	22.3	13.6	112.1

	2015 £m	2014 £m
<b>Net book value of land and buildings</b>		
Freehold land	<b>11.7</b>	12.0
Freehold buildings	<b>54.9</b>	56.4
Long leasehold buildings	<b>0.6</b>	0.3
Short leasehold buildings	<b>3.2</b>	3.4
	<b>70.4</b>	72.1
<b>Net book value of plant and machinery</b>		
Plant and machinery	<b>22.3</b>	22.5
Other office equipment	<b>0.7</b>	1.0
Motor vehicles	<b>0.1</b>	0.2
	<b>23.1</b>	23.7

## 14 Capital commitments

	2015 £m	2014 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	–	0.2

## 15 Investments

### Investments in joint arrangements

The Group accounts include the Group's share of the total recognised gains and losses in one joint arrangement on an equity accounted basis

	2015 £m	2014 £m
Joint arrangement	0.6	0.4

For details of the joint arrangement, see note 16.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 16 Principal subsidiary undertakings and associated undertakings

	Principal location	Country of incorporation
<b>High service distribution of electronics and maintenance products</b>		
RS Components Pty Limited*	Sydney	Australia
RS Components Handelsges.m.b.H.*	Gmünd	Austria
Allied Electronics (Canada) Inc.*	Ottawa	Canada
RS Componentes Electrónicos Limitada*	Santiago	Chile
RS Components A/S*	Copenhagen	Denmark
RS Composants SAS*	Beauvais	France
RS Components GmbH*	Frankfurt	Germany
RS Components Limited*	Kowloon	Hong Kong
RS Components & Controls (India) Limited†	New Delhi	India
RS Components SpA*	Milan	Italy
RS Components KK*	Yokohama	Japan
RS Components Sdn Bhd*	Kuala Lumpur	Malaysia
RS Components BV*	Haarlem	Netherlands
RS Components Limited*	Auckland	New Zealand
RS Components AS*	Haugesund	Norway
RS Components (Shanghai) Company Limited*	Shanghai	People's Republic of China
RS Components Sp. Z.o.o.*	Warsaw	Poland
Radionics Limited*	Dublin	Republic of Ireland
RS Components Pte Limited*	Singapore	Singapore
Amidata SAu*	Madrid	Spain
RS Components AB*	Vällingby	Sweden
RS Components Company Limited*	Bangkok	Thailand
RS Components Limited	Corby	UK
Allied Electronics Inc.*	Fort Worth, TX	United States of America
RS Components Corporation*	Manilla	Philippines
<b>Holding and Management Companies</b>		
Electrocomponents France SARL*	Beauvais	France
Electrocomponents UK Limited	Oxford	UK
RS Components Holdings Limited*	Oxford	UK
Electrocomponents North America Inc.*	Laytonsville, MD	United States of America

\* Except as stated below all of the above are wholly owned by Electrocomponents plc. Those companies marked with an asterisk are indirectly owned. The companies operate within their countries of incorporation. RS Components Limited (UK) exports to most countries where the Group does not have a trading company and operates branch offices in Japan, South Africa, Taiwan, and the Philippines. RS Components Limited also operates under the names of RS Calibration, RS Mechanical and RS Health & Safety in the UK. The information given above is in respect of such undertakings as are referred to in s410(2) of the Companies Act 2006.

† RS Components & Controls (India) Limited (RSCC) is a joint arrangement with Controls & Switchgear Company Limited, a company registered in India. The authorised share capital of this company is INR20m, of which INR18m 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 2015 the Group made sales of £0.8m (2014: £0.7m) to RSCC. RSCC is accounted for using the equity accounting method.

A full list of subsidiary companies is available from the Company's registered office.

## 17 Inventories

Inventories are valued at the lower of cost and net realisable value. This cost is calculated on a weighted average basis. Work in progress and goods for resale include attributable overheads. The Group estimates the net realisable value of inventory in order to determine the value of any provision required and key judgements relate to the duration of product lifecycles, amount of anticipated sales over this lifecycle and the value recoverable from any excess stock.

	2015 £m	2014 £m
Raw materials and consumables	48.6	45.8
Finished goods and goods for resale	259.9	240.6
Gross inventories	308.5	286.4
Stock provisions	(23.4)	(27.6)
Net inventories	285.1	258.8

During the year £8.3m (2014: £9.1m) was recognised as an expense relating to the write down of inventory to net realisable value.

## 18 Trade and other receivables

Trade and other receivables are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest rate method.

	2015 £m	2014 £m
Gross trade receivables	201.3	202.6
Provision for doubtful debts	(4.4)	(5.0)
Amounts owed by joint arrangement	0.4	0.3
Derivative assets (see note 21)	3.0	1.9
Other receivables	0.2	4.4
Prepayments and accrued income	18.2	10.6
Trade and other receivables falling due within one year	218.7	214.8
Other receivables falling due after more than one year	3.7	5.3

## 19 Trade and other payables

	2015 £m	2014 £m
Trade payables	135.0	105.7
Other taxation and social security	4.6	12.9
Derivative liabilities (see note 21)	0.5	0.5
Other payables	–	1.4
Government grants	0.1	0.1
Accruals and deferred income	64.1	64.8
Trade and other payables due within one year	204.3	185.4
Other payables	4.6	8.1
Government grants	3.3	3.7
Other payables due in more than one year	7.9	11.8

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 20 Interest bearing loans and borrowings

	2015 £m	2014 £m
<b>Non-current liabilities:</b>		
Unsecured bank facilities	66.6	37.1
Unsecured Private Placement Notes	61.3	94.3
	127.9	131.4
<b>Current liabilities:</b>		
Unsecured bank overdrafts	1.9	15.8
Unsecured Private Placement Notes	44.0	–
Finance lease liabilities	–	0.7
	45.9	16.5
<b>Borrowings are repayable as follows:</b>		
Amounts falling due on demand or in less than one year	45.9	16.5
In more than one but not more than two years	–	76.4
In more than two but not more than three years	61.3	–
In more than three but not more than four years	–	55.0
In more than four but not more than five years	66.6	–
	173.8	147.9

	Sterling 2015 £m	US Dollar 2015 £m	Euro 2015 £m	Other 2015 £m	Total 2015 £m
<b>Borrowings are analysed by currency as:</b>					
Unsecured bank overdrafts	0.7	–	0.1	1.1	1.9
Unsecured bank facilities	29.0	27.0	–	10.6	66.6
Unsecured Private Placement Notes	–	105.3	–	–	105.3
Total borrowings	29.7	132.3	0.1	11.7	173.8

	Sterling 2014 £m	US Dollar 2014 £m	Euro 2014 £m	Other 2014 £m	Total 2014 £m
<b>Borrowings are analysed by currency as:</b>					
Unsecured bank overdrafts	10.8	4.4	0.2	0.4	15.8
Unsecured bank facilities	10.0	23.9	–	3.2	37.1
Finance lease liabilities	0.7	–	–	–	0.7
Unsecured Private Placement Notes	–	94.3	–	–	94.3
Total borrowings	21.5	122.6	0.2	3.6	147.9

## 21 Financial instruments

### Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates over fixed terms of between three and six months of the majority of its operating companies. In addition there are also a number of interest rate swaps which swap certain fixed rate loans into floating rate.

In accordance with its treasury policies, the Group does not hold or issue derivative financial instruments for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Hedges are classified as follows:

- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.
- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.
- Net investment hedges when they hedge the exposure to changes in the value of the Group's interests in the net assets of foreign operations.

All the Group's derivatives are initially and in subsequent periods recognised in the balance sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in the income statement as they arise.

### Cash flow hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the income statement. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability. When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into the income statement in the same period during which the asset acquired or liability assumed affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

### Fair value hedge accounting

The Group uses derivative financial instruments to hedge exposure to interest rate and exchange rate risks arising from financing activities, holding a small number of interest rate and cross currency swaps which swap certain fixed rate loans into floating rate.

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 not accounted for under fair value hedge accounting are held at amortised cost, which approximates to fair value as interest repricing takes place on a regular basis.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 21 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 statement of financial position, are as follows.

None of the financial assets or financial liabilities have been reclassified during the year.

	Notes	Valuation methodology	Carrying value £m	Fair value £m
<b>Financial assets</b>				
<b>Financial assets held at Fair Value</b>				
Interest rate swaps used for cash flow hedging		A	13.8	13.8
Forward exchange rate contracts used for cash flow hedging	18	A	3.0	3.0
			16.8	16.8
<b>Financial assets held at Amortised Cost</b>				
Cash and cash equivalents	26	D	7.4	7.4
Trade receivables, other receivables and accrued income	18	F	205.0	205.0
			212.4	212.4
<b>Total financial assets at 31 March 2015</b>			229.2	229.2

	Notes	Valuation methodology	Carrying value £m	Fair value £m
<b>Financial liabilities</b>				
<b>Financial liabilities held at Fair Value</b>				
Interest rate swaps used for hedging		A	(0.1)	(0.1)
Forward exchange rate contracts used for hedging	19	A	(0.5)	(0.5)
Private Placement notes subject to fair value hedge	20	C	(71.5)	(71.5)
			(72.1)	(72.1)
<b>Financial liabilities held at Amortised Cost</b>				
Bank facilities	20	D	(66.6)	(66.6)
Private Placement notes	20	D	(33.8)	(34.2)
Bank overdrafts	20	D	(1.9)	(1.9)
Trade payables, other payables and accruals	19	F	(220.4)	(220.4)
			(322.7)	(323.1)
<b>Total financial liabilities at 31 March 2015</b>			(394.8)	(395.2)

**21 Financial instruments** continued

	Notes	Valuation methodology	Carrying value £m	Fair value £m
<b>Financial assets</b>				
<b>Financial assets held at Fair Value</b>				
Interest rate swaps used for cash flow hedging		A	3.7	3.7
Forward exchange rate contracts used for cash flow hedging	18	A	1.9	1.9
			5.6	5.6
<b>Financial assets held at Amortised Cost</b>				
Cash and cash equivalents	26	D	0.7	0.7
Trade receivables, other receivables and accrued income	18	F	213.5	213.5
			214.2	214.2
<b>Total financial assets at 31 March 2014</b>			<b>219.8</b>	<b>219.8</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held at Fair Value</b>				
Interest rate swaps used for hedging		A	(0.1)	(0.1)
Forward exchange rate contracts used for hedging	19	A	(0.5)	(0.5)
Private Placement notes subject to fair value hedge	20	C	(64.4)	(64.4)
			(65.0)	(65.0)
<b>Financial liabilities held at Amortised Cost</b>				
Bank facilities	20	D	(37.1)	(37.1)
Private Placement notes	20	D	(29.9)	(31.7)
Finance lease liabilities	20	E	(0.7)	(0.7)
Bank overdrafts	20	D	(15.8)	(15.8)
Trade payables, other payables and accruals	19	F	(202.2)	(202.2)
			(285.7)	(287.5)
<b>Total financial liabilities at 31 March 2014</b>			<b>(350.7)</b>	<b>(352.5)</b>

**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. The foreign currency amounts have been valued at the exchange rate prevailing at the balance sheet date. (Level 2 as defined by IFRS7 Financial Instruments: Disclosures.)

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 21 Financial instruments continued

### C Loans designated under fair value hedge relationships

These comprise sterling and foreign currency denominated interest bearing loans which are subject to hedge accounting. The foreign currency amounts have been valued at the exchange rate prevailing at the balance sheet date. These loans have been designated under fair value hedge relationships.

### D Cash and cash equivalents, bank overdrafts, interest-bearing loans held at amortised cost

Cash and cash equivalents largely comprise local bank account balances, which typically bear interest at rates set by reference to local applicable rates or cash float balances which have not yet cleared for interest purposes. Fair values are estimated to equate to carrying amounts as their repricing maturity is less than one year.

Interest bearing loans held at amortised cost comprise fixed rate sterling and foreign currency denominated loans. For carrying values the foreign currency principal amounts have been valued at the exchange rate prevailing at the balance sheet date. Fair values are estimated by discounting future cash flows using prevailing interest rate curves.

Bank overdrafts are repayable on demand and are all unsecured. They bear interest at rates set by reference to applicable local rates. Fair values are estimated to equate to carrying amounts as their repricing 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 repricing maturity of less than one year, fair value is assumed to approximate to the carrying amount.

### Cash pooling

The Group operates legal arrangements whereby cash balances and overdrafts held with the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. These cash and bank overdraft figures before netting are shown in the tables below:

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
<b>31 March 2015</b>			
Cash at bank and in hand	310.1	(309.5)	0.6
Bank overdrafts	(311.0)	309.5	(1.5)
<b>Total</b>	<b>(0.9)</b>	<b>–</b>	<b>(0.9)</b>
<b>31 March 2014</b>			
Cash at bank and in hand	213.1	(212.7)	0.4
Bank overdrafts	(228.3)	212.7	(15.6)
<b>Total</b>	<b>(15.2)</b>	<b>–</b>	<b>(15.2)</b>

### 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.

## 21 Financial instruments continued

### 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 2015 the Group had the following committed debt finance in place:

- Private Placement notes of \$150 million with maturities of June 2015 and June 2017.
- A syndicated multicurrency facility for \$75 million, £85 million and €50 million with a maturity of August 2019.

As at 31 March 2015, the Group had available £105.3 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
<b>Derivative financial liabilities</b>							
Interest rate swaps used for hedging	(0.1)	(0.4)	(0.2)	(0.2)	–	–	–
Forward exchange rate contracts used for hedging	(0.5)	(0.5)	(0.5)	–	–	–	–
<b>Non-derivative financial liabilities</b>							
Bank loans	(66.6)	(70.0)	(0.8)	(0.8)	(0.8)	(0.8)	(66.8)
Private Placement notes	(105.3)	(109.6)	(47.8)	(2.9)	(58.9)	–	–
Bank overdrafts	(1.9)	(1.9)	(1.9)	–	–	–	–
Trade payables, other payables and accruals*	(220.4)	(220.4)	(215.8)	(4.6)	–	–	–
<b>At 31 March 2015</b>	<b>(394.8)</b>	<b>(402.8)</b>	<b>(267.0)</b>	<b>(8.5)</b>	<b>(59.7)</b>	<b>(0.8)</b>	<b>(66.8)</b>
	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
<b>Derivative financial liabilities</b>							
Interest rate swaps used for hedging	(0.1)	(0.4)	(0.2)	(0.2)	–	–	–
Forward exchange rate contracts used for hedging	(0.5)	(0.5)	(0.5)	–	–	–	–
<b>Non-derivative financial liabilities</b>							
Bank loans	(38.1)	(38.1)	(0.6)	(37.5)	–	–	–
Private Placement notes	(94.3)	(101.6)	(4.3)	(42.4)	(2.6)	(52.3)	–
Finance lease liabilities	(0.7)	(0.7)	(0.7)	–	–	–	–
Bank overdrafts	(15.8)	(15.8)	(15.8)	–	–	–	–
Trade payables, other payables and accruals*	(202.2)	(202.2)	(202.2)	–	–	–	–
<b>At 31 March 2014</b>	<b>(351.7)</b>	<b>(359.3)</b>	<b>(224.3)</b>	<b>(80.1)</b>	<b>(2.6)</b>	<b>(52.3)</b>	<b>–</b>

\* Excludes derivatives which are shown separately.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 21 Financial instruments continued

### Market risk

#### Foreign currency transactional risk

The Group is 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.

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 2015, net forecasted exposures in Euros and US Dollars for the first six months (Euros) and the first three months (US Dollars) of the year ending 31 March 2016 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 cash flow hedges for accounting purposes. The forecast cash flows are expected to occur evenly throughout the period for 12 months from the year end, and will affect the income statement in the period in which they occur. The net fair value of forward exchange contracts not used as hedges of forecast transactions at 31 March 2015 was £nil (2014: £nil).

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.

#### Foreign currency translational risk

During the year ended 31 March 2010 the Group issued \$37.5 million of Private Placement Notes, with maturities of June 2015 and June 2017, and, using cross-currency interest rate swaps, swapped \$36.3 million to £22.5 million at a floating interest rate.

In June 2010 a further \$112.5 million of Private Placement Notes, with maturities of June 2015 and June 2017 were issued, and, using cross-currency interest rate swaps the Group swapped \$63.8 million into a combination of £14.8 million and €28.3 million at floating interest rates.

These cross-currency interest rate swaps are designated as fair value hedges and net investment hedges and are expected to remain highly effective over the life of the Private Placement notes.

The Group has designated certain external loans as net investment hedges against its investments in its US and European subsidiaries.

The carrying value of these US Dollar and Euro hedges remained highly effective, throughout the year ended 31 March 2015.

A foreign exchange loss of £5.0 million (2014: gain of £7.1 million) was recognised in equity on translation of the loans to sterling in the year ended 31 March 2015.

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.

## 21 Financial instruments continued

### Interest rate risk

The Group has relatively high interest cover and therefore the Group adopts a policy of paying and receiving most of its interest on a variable interest rate basis, as in the opinion of the Group this minimises interest cost over time. This policy is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group does not believe its interest rate risk has materially altered during the year.

As at 31 March 2015 the Group had:

- Fixed the interest on \$40 million borrowings from its syndicated bank facility until August 2016 using an interest rate swap designated as a cash flow hedge
- Left \$50 million of its Private Placement notes fixed until June 2015.
- Swapped \$100 million of its Private Placement Notes from US Dollar fixed to £ Sterling floating (\$60 million) and Euro floating (\$40 million) using an interest rate swap. This is designated as a fair value hedge.

All other borrowings were at a variable rate.

### Interest rate profile

The interest rate profile of the Group's interest bearing financial instruments, as at 31 March 2015 and as at 31 March 2014 are set out below. The classification and balances include the impact of the interest rate swaps.

	2015			2014		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
<b>Financial liabilities</b>						
Interest bearing loans and borrowings:						
Current	(33.8)	(11.2)	(45.0)	(0.7)	(15.8)	(16.5)
Non-current	(66.6)	(48.4)	(115.0)	(53.9)	(73.8)	(127.7)
<b>At 31 March</b>	<b>(100.4)</b>	<b>(59.6)</b>	<b>(160.0)</b>	<b>(54.6)</b>	<b>(89.6)</b>	<b>(144.2)</b>
<b>Financial assets</b>						
Cash and cash equivalents	–	7.4	7.4	–	0.7	0.7
<b>At 31 March</b>	<b>–</b>	<b>7.4</b>	<b>7.4</b>	<b>–</b>	<b>0.7</b>	<b>0.7</b>

### Cash flow hedges

£m

#### Fair value of hedging instruments under cash flow hedges as at 31 March 2013:

Assets	1.3
Liabilities	(1.7)
<b>Net</b>	<b>(0.4)</b>

#### In the year ended 31 March 2014:

Amount removed from equity and taken to Income Statement in operating profit	0.4
Fair value of cash flow hedges taken to equity	1.3

#### Fair value of hedging instruments under cash flow hedges as at 31 March 2014:

Assets	1.9
Liabilities	(0.6)
<b>Net</b>	<b>1.3</b>

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 21 Financial instruments continued

In the year ended 31 March 2015:

	£m
Amount removed from equity and taken to Income Statement in operating profit	(1.3)
Fair value of cash flow hedges taken to equity	2.4

### Fair value of hedging instruments under cash flow hedges as at 31 March 2015:

Assets	3.0
Liabilities	(0.6)
Net	2.4

### Maturity profile of financial derivatives

	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m
Interest rate and cross currency swaps hedging Private Placement notes:				
Assets	1.0	–	12.8	–
Other interest rate swaps				
Liabilities	–	(0.1)	–	–
Forward exchange contracts:				
Assets	3.0	–	–	–
Liabilities	(0.5)	–	–	–
<b>At 31 March 2015</b>	<b>3.5</b>	<b>(0.1)</b>	<b>12.8</b>	<b>–</b>

	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m
Interest rate and cross currency swaps hedging Private Placement notes:				
Assets	–	–	–	3.7
Other interest rate swaps				
Liabilities	–	–	(0.1)	–
Forward exchange contracts:				
Assets	1.9	–	–	–
Liabilities	(0.5)	–	–	–
<b>At 31 March 2014</b>	<b>1.4</b>	<b>–</b>	<b>(0.1)</b>	<b>3.7</b>

## 21 Financial instruments continued

### Sensitivity analysis

The sensitivity analysis set out below summarises the impact on:

- Interest expense of a 1% increase/decrease in interest rates on all currencies from their actual levels for the year ended 31 March 2015 and the year ended 31 March 2014; and
- Group profit before tax of a 1 cent movement in the value of the US Dollar and the Euro against Sterling from the actual level for the year ended 31 March 2015 and the year ended 31 March 2014.

The sensitivity analysis is based on the following:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair market value;
- Changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments; and
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end.

	1% Increase in interest rates £m	1% Decrease in interest rates £m	1c Increase in value of US\$ & € £m	1c Decrease in value of US\$ & € £m
<b>Year ended 31 March 2015</b>				
Impact on Income Statement: (loss)/gain	(1.0)	1.0	0.8	(0.8)
Impact on equity: gain/(loss)	–	–	1.4	(1.4)
	1% Increase in interest rates £m	1% Decrease in interest rates £m	1c Increase in value of US\$ & € £m	1c Decrease in value of US\$ & € £m
<b>Year ended 31 March 2014</b>				
Impact on Income Statement: (loss)/gain	(1.0)	1.0	0.9	(0.8)
Impact on equity: gain/(loss)	–	–	1.4	(1.4)

### Credit risk

The Group is exposed to credit risk on financial assets such as cash balances (including deposits and cash and cash equivalents) and derivative instruments and on trade and other receivables.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties, customers and geographic locations. As such the Group does not believe its credit risk has materially altered during the year.

The Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings, and that these limits are not exceeded.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 21 Financial instruments continued

### Trade and other receivables

All operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. Trade receivables are stated net of allowances for doubtful receivables, estimated by local management based on prior experience of customers and assessment of their current economic environment. There are no significant individual allowances for doubtful receivables included within this amount.

For countries with no local operating company presence export credit limits are set and monitored on a country by 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:

	2015 £m	2014 £m
United Kingdom	61.0	62.7
Continental Europe	75.5	81.5
North America	38.6	32.0
Asia Pacific	21.8	21.4
	196.9	197.6

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

	2015 £m	2014 £m
Not past due	136.5	149.7
Past due 0–60 days	53.9	40.3
Past due 60–120 days	3.9	4.5
Past due >120 days	2.6	3.1

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

	2015 £m	2014 £m
Balance at 1 April	(5.0)	(5.4)
Movement in the year	0.6	0.4
Balance at 31 March	(4.4)	(5.0)

## 21 Financial instruments continued

### Capital management

The Board's policy is always to maintain a strong capital base, with an appropriate debt to equity mix, to ensure investor, creditor and market confidence and to support the future development of the business. The Board monitors the return on capital, which the Group defines as operating profit as a percentage of net assets plus net debt, and the level of dividends to ordinary shareholders.

The Group seeks to raise debt from a variety of sources and with a variety of maturities. As at 31 March 2015 the Group had a Revolving Credit Facility of £85 million, \$75 million and €50 million with a maturity of August 2019 and \$65 million of US Private Placement (PP) Notes due 2015 and \$85 million due 2017. With the repayment of the \$65 million PP notes due in June 2015, the Group has agreed to issue \$100 million of fixed rate 5 year PP notes with completion dates in June 2015, subject to satisfaction of customary closing conditions. These notes will be due for repayment in June 2020. The Group's debt covenants are EBITA: Interest to be greater than 3:1 and Net Debt: EBITDA to be less than 3.25:1. At the year end the Group comfortably met these covenants.

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

## 22 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Property, plant and equipment	0.2	–	(7.5)	(8.2)	(7.3)	(8.2)
Goodwill	–	–	(65.8)	(57.1)	(65.8)	(57.1)
Retirement benefit obligations	11.5	8.2	–	–	11.5	8.2
Inventories	0.1	1.1	(0.5)	(0.3)	(0.4)	0.8
Employee benefits	2.6	3.1	–	–	2.6	3.1
Provisions	1.2	0.9	–	–	1.2	0.9
Other items	0.6	0.1	(1.1)	–	(0.5)	0.1
Tax losses	1.7	1.7	–	–	1.7	1.7
Tax assets (liabilities)	17.9	15.1	(74.9)	(65.6)	(57.0)	(50.5)
Set off of tax	(6.1)	(6.2)	6.1	6.2	–	–
Net tax assets (liabilities)	11.8	8.9	(68.8)	(59.4)	(57.0)	(50.5)

The increase in the deferred tax liability is largely due to the movements on the US dollar exchange rate impacting the deferred tax relating to goodwill. This deferred tax 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.

	2015 £m	2014 £m
<b>Unrecognised deferred tax assets</b>		
Tax losses	3.0	4.1

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.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 22 Deferred tax assets and liabilities continued

	Balance at 1 April 2014	Recognised in profit and loss	Recognised in other comprehensive income	Exchange gains (losses)	Balance at 31 March 2015
Property, plant and equipment	(8.2)	1.1	–	(0.2)	<b>(7.3)</b>
Goodwill	(57.1)	(1.3)	–	(7.4)	<b>(65.8)</b>
Retirement benefit obligations	8.2	(3.9)	7.4	(0.2)	<b>11.5</b>
Inventories	0.8	(1.3)	–	0.1	<b>(0.4)</b>
Employee benefits	3.1	(0.3)	(0.2)	–	<b>2.6</b>
Provisions	0.9	0.2	–	0.1	<b>1.2</b>
Other items	0.1	(0.3)	(0.3)	–	<b>(0.5)</b>
Tax losses	1.7	–	–	–	<b>1.7</b>
	<b>(50.5)</b>	<b>(5.8)</b>	<b>6.9</b>	<b>(7.6)</b>	<b>(57.0)</b>

## 23 Lease commitments

### Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the course of the lease period. The benefits of rent free periods and similar incentives are credited to the income statement on a straight-line basis over the full lease term.

### Operating lease commitments

The Group has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total annual rental for 2015 was £8.0 million (2014: £7.6 million). In addition, the Group leases certain properties on short and long term leases. The annual rental on these leases was £13.3 million (2014: £14.4 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. Operating lease rentals are payable as follows:

	Properties		Plant and machinery	
	2015 £m	2014 £m	2015 £m	2014 £m
Within one year	<b>8.4</b>	8.3	<b>7.6</b>	6.6
Within two to five years	<b>18.0</b>	15.2	<b>7.4</b>	8.6
After five years	<b>3.7</b>	1.7	–	–
	<b>30.1</b>	25.2	<b>15.0</b>	15.2

## 24 Related parties

The Company has a related party relationship with its subsidiaries as disclosed in note 16 and with its key management personnel. The key management personnel of the Group are the Directors and the Group Executive Committee. Compensation of key management personnel was:

	2015 £m	2014 £m
Remuneration	3.2	2.8
Termination payments	0.9	–
Social security costs	0.6	0.3
Equity-settled transactions	0.7	0.9
Pension costs	0.6	0.6
	6.0	4.6

Details of transactions with the joint arrangement are given in note 16.

## 25 Share capital

	2015 Number of shares	2014 Number of shares	2015 £m	2014 £m
Ordinary shares of 10p each:				
Called-up and fully paid:				
At 1 April	439,586,456	438,124,179	44.0	43.8
New share capital subscribed	225,453	1,462,277	–	0.2
<b>At 31 March</b>	<b>439,811,909</b>	<b>439,586,456</b>	<b>44.0</b>	<b>44.0</b>

All of the new share capital subscribed in the year related to the exercise of share options (note 7).

Details of the own shares held are given in note 9 to the Company accounts on page 145.

# Notes to the Group accounts continued

For the year ended 31 March 2015

## 26 Cash and cash equivalents

### Net debt

Net debt comprises cash and cash equivalents less borrowings. Cash and cash equivalents comprises cash in hand and held with qualifying financial institutions in current accounts or overnight deposits net of overdrafts with qualifying financial institutions. Borrowings represent term loans from qualifying financial institutions together with financial instruments classified as liabilities.

	2015 £m	2014 £m
Cash and cash equivalents in the balance sheet	7.4	0.7
Bank overdrafts	(1.9)	(15.8)
Cash and cash equivalents in the cash flow statement	5.5	(15.1)
Finance lease liabilities	–	(0.7)
Bank loans repayable after more than one year	(66.6)	(37.1)
Private Placement Loan Notes due 2015 (4.41%)	(44.0)	(39.3)
Private Placement Loan Notes due 2017 (5.14%)	(61.3)	(55.0)
Fair value of swap hedging fixed rate borrowings	13.8	3.6
Net debt	(152.6)	(143.6)
Net Pension deficit	(60.4)	(40.9)
Net debt including Pension deficit	(213.0)	(184.5)

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

	2015 £m	2014 £m
Net debt at 1 April	(143.6)	(159.7)
Free cash flow	49.0	57.7
Equity dividends paid	(51.6)	(51.4)
New shares issued	0.4	1.4
Own shares acquired	(0.6)	(0.6)
Translation differences	(6.2)	9.0
Net debt at 31 March	(152.6)	(143.6)

## 27 Contingent liabilities

At 31 March 2015 there were no contingent liabilities (2014: none).

## 28 Principal exchange rates

	2015 Average	2015 Closing	2014 Average	2014 Closing
US Dollar	1.61	1.48	1.59	1.67
Euro	1.27	1.38	1.19	1.21

# Company balance sheet

As at 31 March 2015

Company number: 647788

	Note	2015 £m	2014 £m
<b>Fixed assets</b>			
Tangible fixed assets	7	15.2	15.6
Investments	8	299.9	294.2
		<b>315.1</b>	309.8
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	4.0	6.8
Debtors: amounts falling due after more than one year	10	14.2	4.2
Cash at bank and in hand		172.2	82.8
		<b>190.4</b>	93.8
Creditors: amounts falling due within one year	11	(89.4)	(32.1)
<b>Net current assets</b>		<b>101.0</b>	61.7
<b>Total assets less current liabilities</b>		<b>416.1</b>	371.5
Creditors: amounts falling due after more than one year	11	(127.9)	(131.4)
Provisions for liabilities and charges	13	(0.7)	(0.7)
<b>Net assets</b>		<b>287.5</b>	239.4
<b>Capital and reserves</b>			
Called-up share capital	16	44.0	44.0
Share premium account	17	41.9	41.5
Retained earnings	17	201.6	153.9
<b>Equity shareholders' funds</b>		<b>287.5</b>	239.4

These accounts were approved by the Board of Directors on 21 May 2015 and signed on its behalf by:

**Simon Boddie**

Group Finance Director

The notes on pages 140 to 148 form part of these Company accounts.

# Notes to the Company accounts

For the year ended 31 March 2015

## 1 Basis of preparation

The Company accounts have been prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below, and in accordance with UK Company Law and UK Generally Accepted Accounting Practice (UK GAAP).

The Group accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are presented on pages 97 to 138.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

Under FRS 29 Financial Instruments: Disclosures, the Company is exempt from the disclosure requirements on the grounds that the parent undertaking, Electrocomponents plc, includes the Company in its own published consolidated accounts. Disclosures are provided in note 21 under IFRS 7 Financial Instruments: Disclosures which comply with the disclosure requirements of FRS 29.

### 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.

### Financial instruments

#### Derivative financial instruments

The Company 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 interest rate swaps which swap certain fixed rate loans into 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.
- Net investment hedges when they hedge the exposure to changes in the value of the Group's interests in the net assets of foreign operations.

All the Group's derivatives are initially and in subsequent periods recognised in the Balance Sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in the Profit and Loss Account 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 Profit and Loss Account. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability.

When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into the Profit and Loss Account 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 the Profit and Loss Account.

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.

### Pension costs

The Company participates in Group operated defined contribution and defined benefit pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds.

As allowed by FRS 17 Retirement Benefits, the Company is unable to identify its share of the defined benefit scheme's underlying assets and liabilities and therefore accounts for it as though it was a defined contribution pension scheme.

The deficit of the scheme is included within the accounts of RS Components Limited.

### 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.

## 2 Profit for the financial year

The profit dealt with in the accounts of the Company is £99.5 million (2014: £49.8 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 4 of the Group accounts.

## 3 Employees

### Numbers employed

	2015 £m	2014 £m
The monthly average number of employees during the year was:		
Management and administration	49	43
	49	43

### Aggregate employment costs

	2015 £m	2014 £m
Wages and salaries	4.7	3.3
Social security costs	0.6	0.4
Share based payments	0.2	0.4
Pension costs	0.9	0.6
	6.4	4.7

The remuneration of individual Directors is detailed on pages 67 to 89.

# Notes to the Company accounts continued

For the year ended 31 March 2015

## 4 Share based payments

The Company operates several share-based payment schemes, the largest of which are the Save As You Earn (SAYE) and the Long Term Incentive Plan (LTIP).

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity and spread over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The Profit and Loss Account charge is then adjusted to reflect expected and actual levels of vesting based on non-market performance related criteria.

All Profit and Loss Account charges relating to options held by members of other Group companies are charged to the appropriate Group company.

The Company has chosen to adopt the exemption whereby FRS 20, Share-Based Payments, is applied only to awards made after 7 November 2002.

Details and relevant disclosures of the share based payment schemes that existed during the year are given in note 7 of the Group accounts.

### Number and weighted average exercise prices of share options

	Weighted average exercise price 2015	Number of options (000) 2015	Weighted average exercise price 2014	Number of options (000) 2014
Outstanding at the beginning of the year	11p	1,530	8p	3,097
Forfeited during the year	n/a	–	164p	(4)
Lapsed during the year	12p	(472)	9p	(224)
Exercised during the year	24p	(75)	4p	(1,822)
Granted during the year	21p	527	8p	483
Outstanding at the end of the year	13p	1,510	11p	1,530
Exercisable at the end of the year	n/a	–	n/a	–

The options outstanding at 31 March 2015 have an exercise price in the range 0p to 235p and a weighted average contractual life of 3.0 years.

The total charge included in the Profit and Loss Account in the year was £0.2 million (2014: £0.4 million). Of the total charge, £0.2 million (2014: £0.4 million) related to equity-settled share schemes and £nil (2014: £nil) related to cash-settled share schemes.

## 5 Pension schemes

The UK defined benefit scheme is described in note 8 of the Group accounts. The last actuarial valuation of the UK scheme was carried out as at 31 March 2013 and has been updated to 31 March 2015 by a qualified independent actuary in accordance with FRS 17. 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. As allowed by FRS 17, 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.

There are no significant differences that have been identified as between IAS 19 (revised 2011) (IFRS) and FRS 17 (UK GAAP).

The valuation of the scheme as at 31 March was:

	2015 £m	2014 £m
Total market value of assets	448.6	384.9
Present value of scheme liabilities	(495.8)	(418.6)
Deficit in the scheme recognised in RS Components Limited	(47.2)	(33.7)

## 6 Dividends

	2015 £m	2014 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2014: 6.75p (2013: 6.75p)	29.6	29.5
Interim dividend for the year ended 31 March 2015: 5.0p (2014: 5.0p)	22.0	21.9
	51.6	51.4
Proposed final dividend for the year ended 31 March 2015: 6.75p	29.7	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 23 July 2015 and has not been included as a liability in these accounts.

## 7 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
<b>Cost</b>				
At 1 April 2014	21.5	9.2	0.5	31.2
<b>At 31 March 2015</b>	21.5	9.2	0.5	31.2
<b>Depreciation</b>				
At 1 April 2014	6.0	9.2	0.4	15.6
Charged in the year	0.3	–	0.1	0.4
<b>At 31 March 2015</b>	6.3	9.2	0.5	16.0
<b>Net book value</b>				
<b>At 31 March 2015</b>	15.2	–	–	15.2
At 31 March 2014	15.5	–	0.1	15.6

# Notes to the Company accounts continued

For the year ended 31 March 2015

## 7 Tangible fixed assets continued

	2015 £m	2014 £m
<b>Net book value of land and buildings</b>		
Freehold land	4.6	4.6
Freehold buildings	10.6	10.9
	<b>15.2</b>	<b>15.5</b>

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

### 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 buildings	2%
Plant and machinery	10%–20%
Computer equipment	20%–33%

## 8 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 2014	189.2	120.4	309.6
Additions	1.3	–	1.3
Revaluation	–	4.4	4.4
At 31 March 2015	190.5	124.8	315.3
<b>Provisions</b>			
At 1 April 2014	–	15.4	15.4
At 31 March 2015	–	15.4	15.4
<b>Net book value</b>			
<b>At 31 March 2015</b>	<b>190.5</b>	<b>109.4</b>	<b>299.9</b>
At 31 March 2014	189.2	105.0	294.2

A list of the principal subsidiary undertakings held by the Company is disclosed in note 16 of 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 2015, this amounted to £1.3m (2014: £1.1m).

## 9 Own shares

### Own shares held

The Company's own shares held by the Electrocomponents Employee Benefit Trust (EBT) are deducted from shareholders' funds until they vest unconditionally with employees as required by UITF 38: Accounting for ESOP Trusts.

At 31 March 2015, a total of 298,120 (2014: 204,431) ordinary shares in the Company were held by the Electrocomponents EBT, all of which were under option to employees for a nominal consideration. During the year 242,926 ordinary shares in the Company were purchased by the trustees (2014: 239,000), and 149,237 (2014: 371,628) were disposed of by the trustees. The market value of the shares at 31 March 2015 was £719,960 (2014: £578,540).

## 10 Debtors

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	2.3	5.3
Prepayments and accrued income	1.7	1.5
	4.0	6.8
Amounts falling due after more than one year:		
Derivative asset	13.8	3.7
Deferred tax asset (see note 13)	0.4	0.5
	14.2	4.2

## 11 Creditors

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts owed to subsidiary undertakings	41.5	27.9
Accruals and deferred income	3.9	4.2
Loans falling due within one year	44.0	–
	89.4	32.1
Amounts falling due after more than one year:		
Loans repayable after more than one year (see note 12)	127.9	131.4
	127.9	131.4

# Notes to the Company accounts continued

For the year ended 31 March 2015

## 12 Loans

	2015 £m	2014 £m
Sterling bank loans	29.0	10.0
South African Rand bank loans	2.8	3.2
Hong Kong Dollar bank loans	7.8	–
US Dollar bank loans	27.0	23.9
US Dollar Private Placement notes	105.3	94.3
	171.9	131.4
Amounts falling due within one year or on demand	44.0	–
Loans repayable in more than one but not more than two years	–	76.4
Loans repayable in more than two but not more than five years	127.9	55.0
	171.9	131.4

The bank loans are at variable rates of interest and are unsecured.

Details of the US Dollar Private Placement notes are provided in note 21 of the Group accounts.

## 13 Provisions for liabilities and charges

	Deferred taxation £m
At 1 April 2014	0.2
Profit and loss account	(0.1)
Recognised in reserves	0.2
<b>At 31 March 2015</b>	<b>0.3</b>

	2015 £m	2014 £m
<b>Deferred taxation</b>		
Amounts provided:		
Accelerated capital allowances	0.7	0.7
Share schemes	(0.4)	(0.5)
	0.3	0.2

	2015 £m	2014 £m
<b>Disclosed as:</b>		
Deferred tax asset (note 10)	(0.4)	(0.5)
Deferred tax liability	0.7	0.7
	0.3	0.2

## 14 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 period up to the date on which the lease rentals are adjusted to the prevailing market rate.

At 31 March 2015 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Motor Vehicles		Land and Buildings	
	2015 £m	2014 £m	2015 £m	2014 £m
Within one year	–	0.1	0.3	0.3
Within two to five years	–	–	0.3	1.2
	–	0.1	0.6	1.5

## 15 Contingent liabilities

Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £24.7m (2014: £15.4m), of which £0.8m (2014: £11.3m) 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.

## 16 Share capital

	2015 Number of shares	2014 Number of shares	2015 £m	2014 £m
Ordinary shares of 10p each				
Called up and fully paid:				
At 1 April	439,586,456	438,124,179	44.0	43.8
New share capital subscribed	225,453	1,462,277	–	0.2
<b>At 31 March</b>	<b>439,811,909</b>	<b>439,586,456</b>	<b>44.0</b>	<b>44.0</b>

All of the new share capital subscribed in the year related to the exercise of share options.

# Notes to the Company accounts continued

For the year ended 31 March 2015

## 17 Reserves

	Share premium account £m	Retained earnings		Profit and loss account £m	Total £m
		Own shares held £m	Hedging reserve £m		
At 1 April 2014	41.5	(0.8)	1.0	153.7	195.4
Profit for the year	–	–	–	99.5	99.5
Dividends paid	–	–	–	(51.6)	(51.6)
Equity-settled transactions	–	–	–	1.5	1.5
Shares allotted in respect of share awards	0.4	0.4	–	(0.4)	0.4
Own shares acquired	–	(0.5)	–	–	(0.5)
Related tax movements	–	–	–	(0.2)	(0.2)
Reclassification	–	–	(1.0)	–	(1.0)
<b>At 31 March 2015</b>	<b>41.9</b>	<b>(0.9)</b>	<b>–</b>	<b>202.5</b>	<b>243.5</b>

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.

## 18 Reconciliation of movements in shareholders' funds

	2015 £m	2014 £m
Profit for the year	<b>99.5</b>	49.8
Dividends paid	<b>(51.6)</b>	(51.4)
Equity-settled transactions	<b>1.5</b>	1.5
Shares allotted in respect of share awards	<b>0.4</b>	1.3
Own shares acquired	<b>(0.5)</b>	(0.6)
Related tax movements	<b>(0.2)</b>	–
Reclassification	<b>(1.0)</b>	–
Net increase in equity	<b>48.1</b>	0.6
Equity shareholders' funds at the beginning of the year	<b>239.4</b>	238.8
Equity shareholders' funds at the end of the year	<b>287.5</b>	239.4

# Five-year record

Year ended 31 March 2015

	2015 £m	2014 £m	2013 as restated* £m	2012 £m	2011 £m
Revenue	<b>1,266.2</b>	1,273.1	1,235.6	1,267.4	1,182.2
Operating profit	<b>101.2</b>	106.1	92.3	128.1	119.8
Pension changes/reorganisation (income) costs	<b>(16.0)</b>	–	7.4	–	–
Headline operating profit	<b>85.2</b>	106.1	99.7	128.1	119.8
Net financial expense	<b>(5.1)</b>	(5.0)	(5.6)	(5.8)	(5.8)
Profit before tax	<b>96.1</b>	101.1	86.7	122.3	114.0
Pension changes/reorganisation (income) costs	<b>(16.0)</b>	–	7.4	–	–
Headline profit before tax	<b>80.1</b>	101.1	94.1	122.3	114.0
Tax	<b>(25.8)</b>	(29.6)	(27.3)	(37.4)	(35.8)
Profit for the year attributable to the equity shareholders	<b>70.3</b>	71.5	59.4	84.9	78.2
Basic earnings per share	<b>16.0p</b>	16.3p	13.6p	19.5p	18.0p
Free cash flow	<b>49.0</b>	57.7	49.3	52.7	57.4
Non-current assets	<b>378.8</b>	342.7	361.5	349.1	333.0
Current assets	<b>513.4</b>	482.6	498.2	501.9	456.1
Current liabilities	<b>(258.8)</b>	(217.4)	(221.4)	(225.0)	(224.3)
Non-current liabilities	<b>(265.1)</b>	(243.6)	(258.7)	(260.0)	(229.5)
Net assets	<b>368.3</b>	364.3	379.6	366.0	335.3
Number of shares in issue:					
Weighted average (excluding own shares held)	<b>439.5</b>	439.1	437.8	436.1	435.3
Year end	<b>439.8</b>	439.6	438.1	437.0	435.7
Dividend per share (pence)	<b>11.75</b>	11.75	11.75	11.75	11.50
Average number of employees	<b>6,245</b>	6,212	6,307	6,340	5,784
Share price at 31 March (pence)	<b>241.5</b>	283.0	251.0	247.8	267.3

\* Restated for the changes in IAS19R Employee Benefits

# Registered office, advisers and financial calendar

## REGISTERED OFFICE

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Oxford OX4 2HW  
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Fax: +44 1865 207400  
[www.electrocomponents.com](http://www.electrocomponents.com)

## 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 0871 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. Calls cost 8p per minute, plus network extras.

### Shareview

To access online information about your shareholdings visit [www.shareview.co.uk](http://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](http://www.shareview.co.uk) or on our website at [www.electrocomponents.com/investor-centre/shareholder-information/faqs](http://www.electrocomponents.com/investor-centre/shareholder-information/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 [www.electrocomponents.com](http://www.electrocomponents.com).

### Investor relations app

The Company offers an app providing instant online and offline access, free of charge, to the Company's latest financial and corporate information on the Apple iPad and iPhone. Details are available on our website at [www.electrocomponents.com/investor-centre](http://www.electrocomponents.com/investor-centre).

## SHARE FRAUD WARNING

Fraudsters use persuasive and high pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

**5,000 people contact the Financial Conduct Authority (FCA) about share fraud each year, with victims losing an average of £20,000.**

### How to avoid share fraud

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation. Note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.
- **Remember:** if it sounds too good to be true, it probably is!

### Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

## FINANCIAL CALENDAR

### Announcement of results

The results of the Group are normally published at the following times:

Half-year results for the six months to 30 September in mid November.

Preliminary announcement for the year to 31 March in late May.

Annual Report and Accounts for the year to 31 March in mid June.

### Dividend payments

Our current policy is to make dividend payments at the following times:

Interim dividend in January and final dividend in July.

2015 final dividend:

Ex-dividend date: 25 June

Record date: 26 June

Annual General Meeting: 23 July

Dividend paid: 28 July

## ADVISERS

### Auditor

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### Registrar and transfer office

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Spencer Road  
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London EC2Y 8HQ

### Stockbroker

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London EC2M 2PP

### Financial PR advisor

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85 Fleet Street  
London EC4Y 1AE

### Remuneration consultant

Kepler Associates  
60 Trafalgar Square  
London WC2N 5DS

# Shareholder notes

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## PRINCIPAL LOCATIONS

### United Kingdom

#### UK

[uk.rs-online.com](http://uk.rs-online.com)

#### Global exports

[export.rsdelivers.com](http://export.rsdelivers.com)

### Continental Europe

#### Austria

[at.rs-online.com](http://at.rs-online.com)

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**Delivering world-class  
innovation and inspiration**



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