



Electrocomponents plc
Annual Report and Accounts
for the year ended 31 March 2019



**MAKE MORE
POSSIBLE**

WE ARE A GLOBAL MULTI-CHANNEL PROVIDER OF INDUSTRIAL AND ELECTRONIC PRODUCTS AND SOLUTIONS



**“We are here
to inspire
and support
innovative
engineering so
we can make
more possible.”**

LINDSLEY RUTH
CHIEF EXECUTIVE OFFICER

Front cover

The image on the front cover represents Hyperloop, a futuristic transport system. RS Components is a major sponsor of the University of Edinburgh's team, HYPED, in the 2019 SpaceX Hyperloop Pod Competition to revolutionise terrestrial transportation.

Further information can be found at
electrocomponents.com



FINANCIAL HIGHLIGHTS

Revenue

£1,884.4m

Growth 10.5%

2018: £1,705.3m

Profit before tax

£195.2m

Growth 15.8%

2018: £168.6m

Earnings per share

33.4p

Growth (1.5)%

2018: 33.9p

Dividend per share

14.8p

Growth 11.7%

2018: 13.25p

Like-for-like¹ revenue growth

8.3%

2018: 12.8%

Adjusted² profit before tax

£214.5m

Like-for-like¹ growth 20.8%

2018: £173.1m

Adjusted² earnings per share

37.0p

Like-for-like¹ growth 26.8%

2018: 28.4p

Adjusted² free cash flow

£84.5m

Growth (19.6)%

2018: £105.1m

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A GLOBAL PROVIDER

We are a global multi-channel provider of industrial and electronic products and solutions. We work together with our customers across the product life cycle to create solutions that make it easy for our customers to do business, saving them time and money.

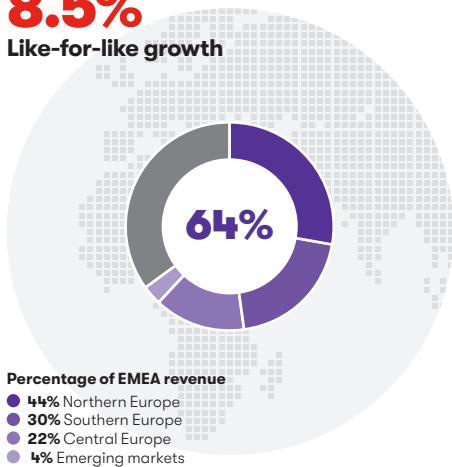
Through our international scale and reach...

EMEA

Revenue: £1,210.0m

8.5%

Like-for-like growth

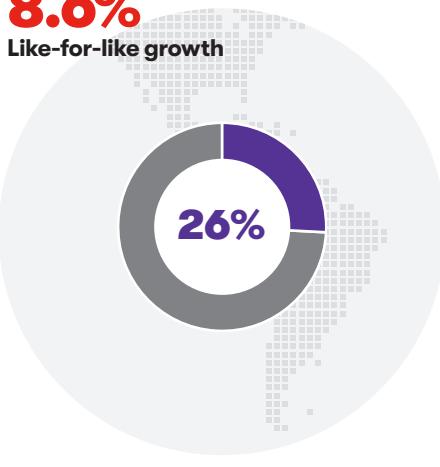


Americas

Revenue: £483.6m

8.6%

Like-for-like growth

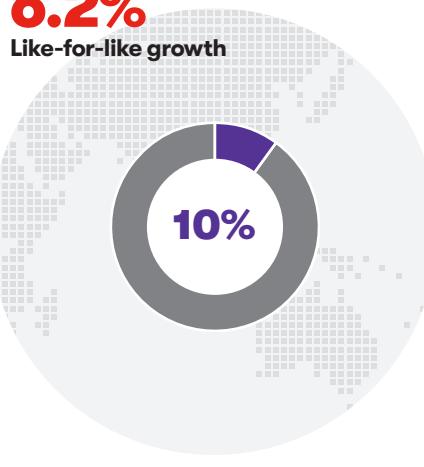


Asia Pacific

Revenue: £190.8m

6.2%

Like-for-like growth



We operate responsibly through a broad range of industries...

Manufacturing

**c. 52%
of revenue**

- Process manufacturing
- Electronics
- Original equipment manufacturers (OEMs) and general manufacturing

Services

**c. 38%
of revenue**

- Public sector
- Business and other services
- Retail, logistics and wholesale

Infrastructure

**c. 10%
of revenue**

- Utilities, transport and communications
- Mining and construction

Our leading brands...



RS Components (RS) is the leading multi-channel industrial and electronics provider across Europe and Asia Pacific, as well as providing electronics in the Americas.



Allied Electronics & Automation (Allied) is a leading multi-channel industrial provider in the Americas with a focus on automation and control.

Our own-brand...



RS PRO is our own-brand range of more than 58,000 high-quality, competitively priced products.

Our SBC and IoT brand...



OKdo is our global technology business, focused on meeting the rapidly evolving needs of single-board computing (SBC) and Internet of Things (IoT) segments worldwide.

Our value-added solution brands...

DESIGNSPARK

DesignSpark is our online design community and resource centre for makers, students and design engineers.



IESA provides outsourced procurement, inventory and stores management services, in addition to transactional processing solutions.



Monition is an expert in the design, development and application of reliability and condition-monitoring systems.

OUR INVESTMENT PROPOSITION

FOUR KEY REASONS TO INVEST

We are committed to building a lean and scalable business, which is well positioned to grow in excess of the market and drive best-in-class margins and strong free cash flow.

Uniquely positioned in attractive market

c. £400bn
market opportunity

- Global player in large fragmented marketplace
 - Market valued at c. £400 billion
 - Market growing at GDP +
 - Top 50 players account for c. 30% of the global market
- Uniquely positioned to take market share
 - One of few global players
 - Leader in digital
 - Providing one-stop shop for customers

Driving market share gains

2x
market growth rate

We aim to grow at two times the market, driving share gains by:

- Growing customer count
 - Become first choice; grow promoter base
 - Drive more traffic to websites
 - Increase online conversion by improving experience
- Selling more to existing customers
 - First choice customers spend 25% more
 - Scale range and add new product verticals
 - Roll out value-added solutions proposition
 - Sell the full offer; improve sales effectiveness

Building a lean and scalable model

Mid-teen
adjusted operating profit margin target

- We have made good progress to date
 - Stabilised and improved gross margin
 - Adjusted operating profit margin increase of 5.0 percentage points since 2015
- In the future we aim to drive scalability and lower our cost to serve by:
 - Simplifying our technology estate
 - Increasing the use of automation in supply chain
 - Rolling out global shared services and automation
- Long-term aspiration to achieve a mid-teen adjusted operating profit margin

Strong cash and attractive returns

>80%¹
adjusted operating cash flow conversion

- High cash conversion
- Reinvest cash to build scale and drive faster growth
- Progressive dividend policy
- Accelerate strategy via disciplined value-accretive acquisitions to:
 - Drive market share gains
 - Add new product verticals
 - Accelerate value-added solutions offer

1. Our aim post-investment in strategic initiatives in 2020 and 2021.

LAYING THE FOUNDATIONS FOR FUTURE GROWTH



Since Lindsley Ruth was appointed Chief Executive Officer (CEO) in April 2015, our Company's leadership, customer and supplier experience, employee engagement and financial performance have all been transformed.

This has been another year of progress, with continued strong growth in revenue and profit, and further steps forward in customer and supplier satisfaction. We continue to progress on our journey from a product-led distributor to a digital provider of engineering solutions and products. This year we extended our portfolio of value-added solutions with the acquisitions of IESA and Monition. We see the potential to continue growing our market share and enhancing operating profit margin and will continue to take the decisions, including investing in our infrastructure, to ensure we do so.

Trading performance

The year ended 31 March 2019 was another year of good progress. We saw strong growth in revenue and operating profit. Earnings per share (EPS) fell 1.5% as prior year EPS benefited from a non-cash deferred tax credit, which did not recur in 2019. However, adjusted EPS growth was 30.3%. We achieved a further improvement of 1.3 percentage points in our adjusted operating profit margin to 11.7% and are continuing to drive towards our long-term aspiration of a mid-teen adjusted operating profit margin. Our balance sheet remains strong, with net debt of £122.4 million and net debt to adjusted EBITDA of 0.5x.

Setting ourselves up to drive sustained growth

We operate in a large and fragmented market, which is growing at or above GDP. Over the last two years, our focus on customer and supplier experience has enabled us to grow our business at around twice the rate of the underlying market. We believe we have further opportunities to grow our market share and continue to improve operating profit margin. We are therefore focused on making the right decisions to ensure our business is scalable and has the capabilities to sustain this growth.

In the past year, we have begun a two-year project to invest in our supply chain to support range expansion in the Americas.

We will continue to invest in our supply chain to ensure our key distribution centres (DC) around the world have the capacity to support future growth and are more automated, efficient and better able to meet changing customer needs. In 2020, we will start a c. £60 million two-year project to significantly expand and automate our German DC. We will also invest further in our technology infrastructure, including new product and content technology, to ensure we can continue to scale our product range and offer our customers an outstanding online experience and the one-stop shop they require. We will continue to improve our ability to process and use data securely and effectively so that we can offer our customers the highly personalised data and innovative products and solutions they need to successfully run their businesses.

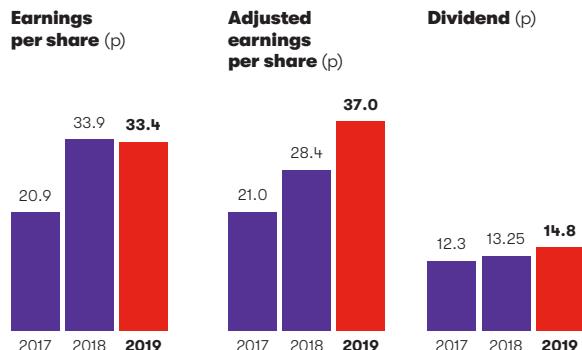
Board

The Board ensures that strong and appropriate standards of governance underlie all decisions. It sets the Company's strategy and oversees its delivery, and provides guidance and support to management. We try to ensure that the Board has relevant experience so it is well placed to provide this guidance. It is also important that the Board is continuously refreshed with new blood and new ideas.

After six and a half years on the Board, John Pattullo has decided to step down as Non-Executive Director and Senior Independent Director (SID). John has been an outstanding Board member; his wealth of experience has been instrumental in bringing about the changes required to create a modern and efficient supply chain. Furthermore, I'm immensely appreciative of the support John has provided the Board over the years in a number of areas: helping in the recruitment of Lindsley; introducing new approaches to remuneration as Chair of the Remuneration Committee; and more recently in his work as SID. We will miss him, but I am delighted that he will be succeeded as SID by David Sleath, who is currently chief executive officer of SEGRO plc and was previously the SID at Bunzl plc. David will bring a wealth of experience and a wise and calm head to the role. Amongst his other responsibilities he will, in due course, lead the process for finding my own successor. I know he will be a great addition to the Board.

“2019 has been a year of significant progress, with good growth in revenue and profit and an improvement in customer and supplier satisfaction.”

PETER JOHNSON
CHAIR



For definitions and reconciliations of all alternative performance measures, refer to Note 3 on pages 115 to 118.

I was also delighted to welcome Bessie Lee to our Board. As a previous chief executive officer of WPP in China and the current chief executive officer of a major incubator of Chinese businesses developing marketing solutions, Bessie brings extensive experience both of China and of developing customer behaviours. In our quest to increase diversity, I am also pleased to welcome her as a Chinese citizen and the third woman on our Board.

Employees

It is our own people who continue to play a key role in differentiating our service from that of the competition and, as such, enable us to continue to deliver improved results for our customers, suppliers and shareholders. We are committed to building a diverse and inclusive culture and offering our people the opportunities they require so that they can reach their maximum potential. On behalf of the Board, I would like to welcome the new members of our team from IESA and Monition and once again thank all our employees for their hard work, continued commitment and boundless enthusiasm.

The triple bottom line (people, profit, planet)

The contribution we make to our community and society at large is becoming increasingly important to our reputation with customers and suppliers as well as current and future employees. Our reputation is of great value to us and so we are committed to embedding what is now known as the triple bottom line, which includes social and environmental measures alongside our financial ones. This helps us evaluate performance in a broader perspective, creating greater long-term business value and sustainability. Addressing the engineering skills gap by encouraging the take up of science, technology, engineering and mathematics (STEM) subjects in schools, creating a diverse and inclusive culture for our people and limiting our impact on the environment; these are all issues we care strongly about. We increasingly measure the contribution and impact upon our people, local communities and the environment we operate in and this year we are reporting corporate responsibility key performance indicators to assess our performance going forward.

Dividend

The Board understands the importance of the dividend to shareholders and proposes to increase the final dividend to 9.5p per share. This will be paid on 25 July 2019 to shareholders on the register as at 14 June 2019. As a result, the total proposed 2019 full-year dividend will be 14.8p per share, an increase of 11.7% over the 2018 full-year dividend, resulting in adjusted earnings dividend cover of 2.5 times. The increase in the dividend reflects the Board’s confidence in the future prospects of the Group and its strong balance sheet. The Board intends to pursue a progressive dividend policy, whilst remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow.

Looking ahead

As we look ahead to the year ending 31 March 2020, many aspects of the external environment remain uncertain, including the US-China trade talks and negotiations around Britain’s exit from the EU. We do not know how these negotiations will play out but our market opportunity remains large and our momentum strong. We know what our customers and suppliers need and we are in a good position to continue to outperform our market in such uncertain times.

During the first seven weeks of 2020 we have seen a moderation in like-for-like revenue growth. April saw low single-digit like-for-like growth trends impacted by the timing of holidays. However, May has started encouragingly with like-for-like growth closer to the trends seen during Q4 2019. EMEA continues to see good growth and market share gains, which is more than offsetting softness in the Americas. Asia Pacific continues to see similar trends to Q4 2019. We remain focused on executing our strategy and driving continued share gains while tightly managing costs. Overall, we believe we are well positioned to make good progress in the current financial year.

Peter Johnson

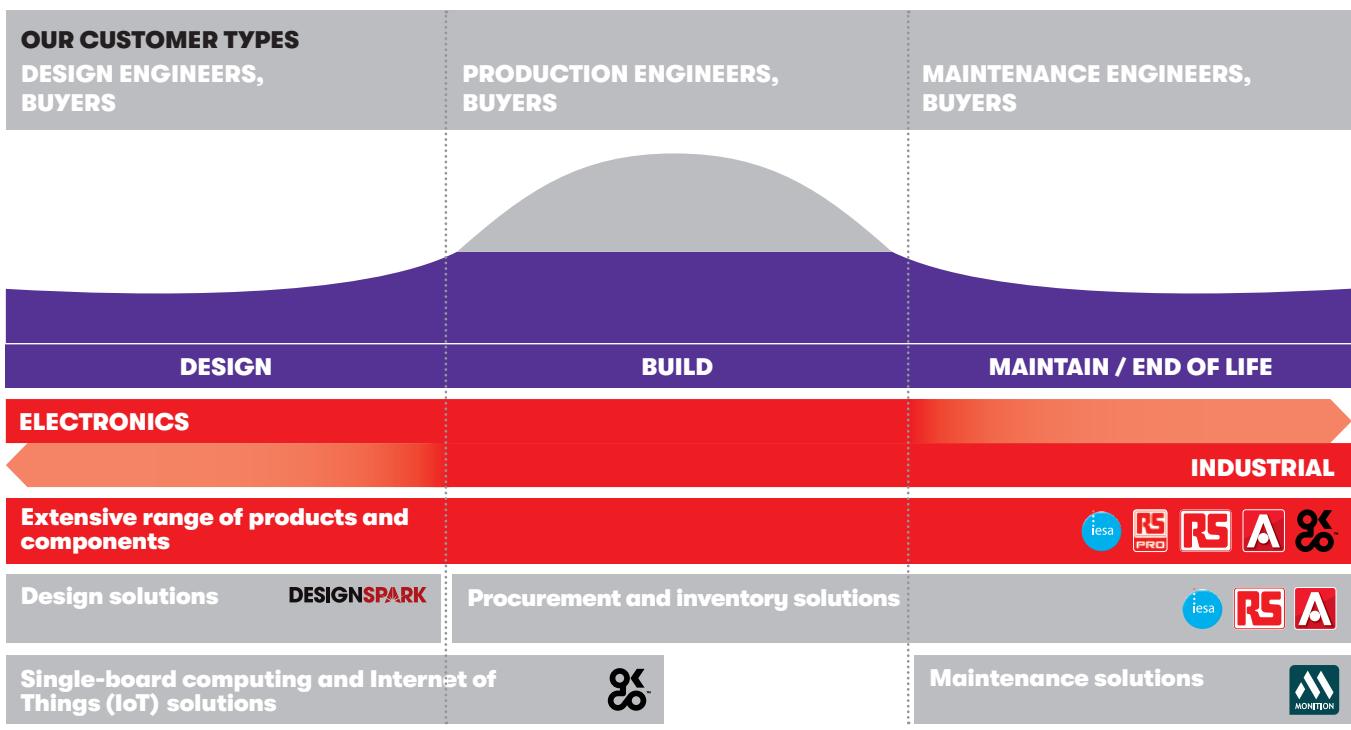
Chair
20 May 2019

WELL POSITIONED IN A LARGE AND FRAGMENTED MARKETPLACE

Our proposition

We are on a journey to create and offer innovative products and solutions to our customers across the product life cycle, from design through to procurement, and from inventory management to full maintenance solutions. Our aim is to help our customers manage their indirect spend more effectively and make their lives easier with our product knowledge and technical expertise using data and digital excellence.

Key

 Where we play


Our market today

Our market today is large, fragmented, local in nature and digitally immature. It is served by only a few international distributors and numerous regional and local players, who largely operate offline. Our broad product spread and digital leadership mean we are well positioned to be a disruptor in this market. We will scale our customer count online and continue to expand the range of solutions and products we offer, in order that we both add new customers and sell more

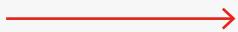
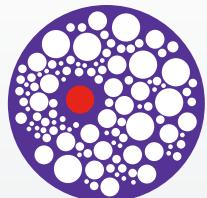
to existing customers. Currently we estimate the global market is valued at c. £400 billion and is growing at or above GDP.

We believe we have significant scope to take market share in all regions around the world in which we operate. Even in our most established market, the UK, our market share is less than 5% and we continue to increase our customer count and grow our average order size. Our aim is to continue to grow our business at two times the rate of the market.

The market today

Large, fragmented, local in nature and digitally immature.

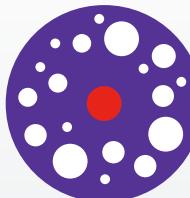
WELL POSITIONED TO TAKE SHARE



The future market

Large, more consolidated and multi-channel (majority of revenue online).

BECOME FIRST CHOICE IN THIS MARKET



Key market trends and our response

Our market and our customers continue to evolve and we need to ensure we continue to be ahead of the curve and anticipate what our customers and suppliers need in order to become their first choice.

Market consolidation

C. 30%
of the global market
is represented by the
top 50 players

Our market is large and fragmented with many local and regional providers, as well as single product category players. We continue to see increased consolidation among traditional offline distributors and also the emergence of new customers and competitors such as online marketplaces.

Our response

Our knowledgeable salesforce and significant product, sector and technical expertise, combined with data, solutions and best-in-class online experience, ensure we can offer a truly differentiated proposition to our customers. Hence, we are growing our share organically by both selling more to existing customers via range expansion and new value-added solutions, as well as increasing our customer count through increased brand awareness and digital penetration. While our key focus remains on organic growth, we will also grow by adding value-accretive acquisitions where they fit with our strategy and culture.

Digital transition

95%
of UK purchases will
be eCommerce
facilitated by 2040
(Source: Nasdaq)

Online penetration in our market remains low. However, customers today have come to expect more, they want convenience at their fingertips and expect a business-to-consumer (B2C) type online experience in a business-to-business (B2B) world. A strong digital offering is becoming increasingly important. Our key competitors tend to be local or single product category players who lack the critical mass and expertise to deliver a best-in-class digital experience.

Our response

We are a leading player in digital across our market, with 62% of revenue generated online, growing at 8.9% like-for-like. Over 90% of our sales origination starts online. We spend around 4% of revenue per annum on digital talent, marketing and online / mobile experience teams. This ensures we continue to drive more traffic to our websites and improve our online experience so we can convert a higher proportion of this traffic into revenue. Our digital capabilities, broad product range and innovative solutions are key differentiators which will allow us to become a disruptor in our market.

Customers seeking a one-stop shop

2:1
ratio of procurement
cost vs product cost
(Source: Manchester
Business School)

Customers are seeking to streamline their operations. They want to simplify procurement, consolidate spend, manage their supply chain more efficiently and have access to solutions that help optimise maintenance and production. Customers are looking for breadth and depth in a product range so they can reduce cost and consolidate their supplier bases.

Our response

We offer breadth and depth in our product range, covering categories from automation and control through to tools and consumables as well as electromechanical and board-level electronics. Through our global online presence, we are the perfect partner to enable customers to consolidate spend. We are continuing to expand our range based on what our customers need and to offer solutions which help make their lives easier in areas across design, procurement, inventory management and maintenance.

The rise of digital technology (Industry 4.0)

25bn
connected
things by 2021
(Source: Gartner)

The rise of digital technology is changing the way businesses operate, particularly in manufacturing. It is making it possible to connect and analyse data across numerous machines, creating more efficient and productive processes. Industry 4.0 provides increased automation, monitoring and communication enabling engineers to exploit the numerous benefits of smart factories.

Our response

By being a supplier of both industrial and electronic products, we are well positioned to capitalise on this trend and help our customers transform the way they operate. Our business is continuously striving to drive more innovation, creating solutions to enhance our Internet of Things offering to customers. The recent acquisition of Monition and launch of OKdo, our new global technology company, will accelerate our work on this front.

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

OUR VISION

**To be the first choice
for our customers,
suppliers and our
people, becoming
the global provider of
end-to-end innovations.**

Our assets and resources

Our people

Our people enable us to provide the exceptional customer service that keeps our customers coming back. Our knowledgeable team is focused on delivering great service and we are committed to investing in their training and development.

6,600+
employees

Our suppliers

We have strong supplier relationships. We work together with a wide range of suppliers regionally and internationally, building strong and mutually beneficial relationships that support our customers.

2,500+
major suppliers

Our broad inventory

We offer a broad and extensive product range, including our own-brand, RS PRO. We support our clients across the design and maintenance phase of the product life cycle.

500,000+
stocked products

Our product categories

- Industrial interconnect and test
- Industrial automation and control
- Tools, consumables and facilities maintenance
- Board-level electronics
- Single-board computing

5

new product categories

Our global distribution network

We aim for best-in-class fulfilment via our network of distribution centres and are investing in our supply chain. We focus on optimising transportation across our network.

32

operating markets

Our digital capabilities

We are expanding our digital capabilities, improving our website and eProcurement and ePurchasing tools to offer our clients unparalleled ease of use and personalised systems that improve efficiency and make it easier to do business with us.

62%

online revenue

Key statistics

Our largest supplier represents less than

4%

of Group revenue

We are a global multi-channel provider of industrial and electronic products and solutions. We work together with our customers across the product life cycle to create solutions that make it easy for our customers to do business, saving them time and money.

Our differentiators	Our value-added solutions across the product life cycle	Creating value for our stakeholders
<p>Global scale Our new regional structure means our activities and decision making is taking place closer to our customers, while making the most of our scale.</p> <p>Technical expertise We have significant sector-specific knowledge and expertise. Our sales teams are well placed to help customers with purchasing decisions.</p> <p>Value-added solutions We aid the customer journey across the product life cycle, from design through to procurement, and from inventory management to full maintenance solutions.</p> <p>Multi-channel approach Our customers can choose how and when they receive their purchases and consolidate deliveries, helping to reduce costs.</p>	<p>Design We enable design engineers to use a single source for all design work across our DesignSpark and OKdo platforms by providing access to ideas and innovation as well as products.</p> <p>Procurement We offer solutions for customers to consolidate their spend and reduce procure-to-pay costs, providing continued cost efficiencies across eProcurement solutions and systems such as IESA's marketplace platform, MyMRO.</p> <p>Inventory Our range of solutions enable customers to manage their inventory more effectively, reduce working capital and improve productivity.</p> <p>Maintenance We provide maintenance solutions to help customers manage their assets and improve productivity. We also offer product-specific knowledge and services such as calibration and condition-monitoring.</p>	<p>Shareholders We aim to deliver attractive returns for our shareholders, with sustained growth in profit and cash, driving longer-term share price appreciation and year-on-year growth in dividends.</p> <p>Employees We are committed to nurturing talent and building a high-performance culture.</p> <p>71% employee engagement</p> <p>Communities We respect, protect and contribute to the communities in which we operate.</p> <p>150 RS UK STEM ambassadors</p> <p>Customers We seek to save our customers time and money and make it easy to do business.</p> <p>5.1% improvement in Net Promoter Score</p> <p>Suppliers We extend customer reach and provide insight and analysis for our suppliers.</p> <p>60+ new suppliers added in 2019</p>

Our average order value is around

£190

No customer represents more than

1%

of Group revenue

MAKING MORE POSSIBLE



"We need to be bold and set ourselves up to succeed for the longer term. As such we, as a management team, are increasingly thinking about where we need to be as a business in five years' time."

LINDSLEY RUTH
CHIEF EXECUTIVE OFFICER

It has been four years since I became CEO of Electrocomponents. During this time we have been consistently focused on becoming first choice for our customers, suppliers and our people, and on driving a simpler, more efficient and more scalable model. The results of this focus have been a significant improvement in our customer experience, market share growth and profitability.

Progress to date has been good but we remain focused on delivering more. We have defined a clear vision, strategy and plan capable of generating a further step change over the next five years. We remain confident in our ability to deliver and are excited by the opportunity to make more possible.

During 2019, we enhanced our customer proposition with the addition of over 60,000 new products to our range across RS and over 25,000 across Allied, and rolled out a comprehensive set of design, procurement, inventory management and maintenance solutions (see page 9). We also further differentiated our digital experience to make our customers' lives easier. Strong execution and increased differentiation in our service have driven a further 5.1% improvement in the Group rolling 12-month Net Promoter Score (NPS) – a measure of customer satisfaction. Group revenue grew by 10.5%, 8.3% on a like-for-like basis in 2019, which is the second consecutive year of outperformance versus our market. Revenue momentum and a differentiated digital offer are, in turn, driving improved reach and performance for our suppliers and helping us become their first choice partner (see page 30).

Our greatest asset has always been and will continue to be our people, who work tirelessly to innovate and make more possible for our customers and suppliers. We are building a great team at Electrocomponents, but in the past we have not always been good at identifying and nurturing early-career talent and ensuring we make more possible for them. We are making improvements in employee onboarding, training and development so we can offer our own team a great experience. We also continue to embed a more diverse

and inclusive culture. We need to move faster to ensure we build the right team and capabilities to support growth; this is one of my key focuses as we move into 2020.

Distribution is a simple business, where superior returns depend on best-in-class execution. Over the last four years we have been on a journey to make our model simpler, more efficient and more scalable. As a result of this continued focus, during 2019 our adjusted operating profit conversion ratio rose a further 2.7 percentage points to 26.3% (2018: 23.6%) and our adjusted operating profit margin rose 1.3 percentage points to 11.7% (2018: 10.4%). Strong revenue growth and efficiency improvements led to 16.5% growth in operating profit, 20.8% like-for-like growth in adjusted operating profit and 26.8% in adjusted earnings per share. Adjusted free cash flow fell 19.6% as we continued to invest in inventory and increased capital expenditure to support growth.

Finally, during 2019 we successfully completed and integrated two bolt-on acquisitions, IESA in May 2018 and more recently Monition in January 2019. These are the first acquisitions the Group has made in around 20 years, since acquiring Allied in 1999. IESA and Monition have both strengthened our value-added solutions proposition. IESA has been swiftly and smoothly integrated into our business and is on track to cover our cost of capital in its first full year of ownership. While our key focus remains on driving organic growth and improvement, we also see an opportunity to augment our growth with further opportunistic, value-accretive acquisitions, where they fit with our strategy and culture.

Accelerating performance

We have a clear vision and plan of where we need to be in five years' time. We have the opportunity to scale our business and drive improved profitability by significantly increasing our customer count and driving a higher share of wallet with our existing customer base. We are investing now to build the right offer, infrastructure, capabilities and talent so we can drive sustainable profitable growth. We intend to increase capital

Achievements over past four years

34%

Improvement in rolling
three-month RS NPS¹

7%

Like-for-like revenue
compound annual growth rate

11 pts

Improvement in adjusted
operating profit conversion

5 pts

Improvement in adjusted
operating profit margin

£34m

Cumulative annualised
cost savings

27%

Adjusted operating profit
compound annual growth rate

1. NPS improvement is from September 2015 when we first started recording rolling three-month RS NPS data.
For definitions and reconciliations of all alternative performance measures, refer to Note 3 on pages 115 to 118.

expenditure to around £80 million in both 2020 and 2021 to enable us to scale our offer and build the right infrastructure to drive faster share gains and improved efficiency in the medium term. Our plan is capable of delivering a step-change improvement over where we have been, but there is still room for more innovation. As we move forward we need to constantly ask ourselves, how can we make more possible?

My key areas of focus for 2020 are:

1) Continuing to disrupt our market: Our business is all about the customer experience. We have already greatly improved the basics in customer and supplier experience, however, our customers are becoming more demanding. They want unparalleled ease of use, choice, convenience and speed. If we can offer these things we can continue to be the disruptor in our marketplace.

2) Building an efficient and scalable engine to accelerate growth: We are creating a leaner and more scalable platform to support our growth plans and drive a higher operating profit conversion ratio. During 2020 and 2021 we will accelerate these plans further with the introduction of a number of new initiatives to ensure we have the capabilities, talent and infrastructure to scale our business profitably.

3) Making more possible: Our turnaround plan to date has been primarily focused on continuous improvement. However, technology is rapidly changing the world around us; artificial intelligence and the Internet of Things (IoT) are creating new challenges and opportunities. As we move forward, we need to introduce more innovation into our offer so we can adapt and provide the solutions and services our customers will be demanding in five years' time.



CASE STUDY

New product roadmap at RS PRO

Growing RS PRO, our own-brand range, remains a key priority. It is a gross margin driver for the Group and offers our customers a high-quality value alternative. Today, RS PRO accounts for 12% of Group revenue and we plan to grow this percentage over time. We are using our data to identify new product opportunities for RS PRO; in 2019 we added 8,000+ new products and we plan to continue to roll out more new products during 2020.

1) Continuing to disrupt our market

Our customers and suppliers are still the focus. Customer experience has always been, and continues to be, our real business. While much has changed in the way we serve our customers and suppliers since our first annual report in 1967, the imperative to deliver a brilliant experience remains the same. We are in an era where customers expect more from companies than ever before. We are well placed to succeed in this environment if we can continue to offer an unrivalled experience to our customers and suppliers in three key areas:

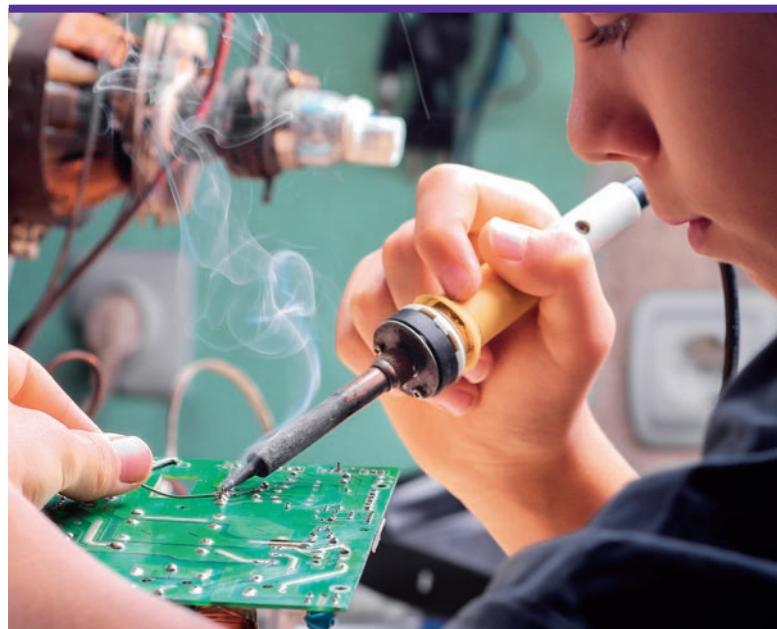
- Digital leadership and data-driven insight** Over the last four years, we have accelerated our investment in digital to ensure we drive more traffic to our website and continue to offer our customers a best-in-class online experience. We spend around 4% of revenue per annum on digital talent, marketing and online / mobile experience teams – this is a real differentiator. Unlike many of our small local or single-category competitors, we have the scale, digital talent and expertise to be able to drive the best-in-class business-to-consumer (B2C) type online experience that our customers increasingly expect. We are increasing spend in this area so we can continue to be a digital disruptor in our marketplace. However, every quarter in the digital world is like a year in the old analogue world, so we need to continue to move at pace. We are focused on building brand awareness and using new tools and technology to drive more customers to our website. We will accelerate our efforts to build an online and mobile experience which offers unparalleled ease of use, is hyper-personalised and is ‘faster than real-time’. We are also investing in our data capabilities, ensuring we efficiently collect, store and utilise the significant amount of data we have within our business. This will help to improve our decision making and offer insight and increased personalisation to both our customers and suppliers.

• Unrivalled choice

Our customers are increasingly seeking a one-stop shop. Today we offer a much broader product range than many of our competitors covering subcategories such as electrical, electronics, tools, facilities management, automation and control and single-board computing (SBC). However, with advances in technology we need to ensure we can stay ahead of the competition in the future. As such, we are investing in a scalable product and content technology capability to ensure that we can further expand our range into new and adjacent verticals. This initiative, named PACE (Product and Content Excellence), will enable us to offer more of our suppliers’ ranges on our website, either on a stocked or non-stocked basis, thereby greatly increasing breadth of range and choice for our customers. It will enable us to dramatically speed up new product introductions and give us the capability to gather, process and analyse large volumes of data and content, so we can improve and, in time, automate our decision making and offer more valuable insight to our suppliers. It is also a key enabler to support the expansion and growth of our value-added solutions proposition.

• A solutions-based offer

During 2019, we made great progress building out a range of value-added solutions. We now have a comprehensive range of design, procurement, inventory management, maintenance and full outsourcing solutions which are key differentiators from our competition. These solutions are growing well and driving a much stickier relationship with our customer base in Northern Europe, where this initiative is most advanced. Looking forward, we intend to accelerate our work in this area by introducing more new innovative solutions to our customers and also rolling out our existing solutions to more customers globally.



CASE STUDY

Improving our electronics offer

As part of our initiative to offer our customers unrivalled choice, we are focused on further enhancing our electronics offer and DesignSpark services. During the year, we centralised our electronics product team in Munich. In April 2019, RS launched a new electronics website in the Americas so that we can now sell electronics worldwide. This global footprint will be key to signing new franchises and improving our electronics offer, as well as driving membership of DesignSpark, our online design community.

2) Building an efficient and scalable engine to accelerate growth

As the pace of change in our market accelerates, it is important for us to create a simpler, more customer-centric and agile business. During 2019 we have made progress but we need to continue to move faster in order to build the right infrastructure to support profitable growth.

• Simplification

- Simple model:** During the first half we successfully reorganised the business around three key regions – EMEA, the Americas and Asia Pacific – with new regional presidents reporting directly to me. As a result of this new structure, activities such as product and supplier management and marketing are now primarily being run in the regions. This enables us to adapt more quickly to customer needs, make our offer more relevant to the local market and remove duplication of activity between the regions and the centre. We continue to ensure that we operate a simple, customer-centric model so we can adapt quickly to changes in our marketplace.
- Transforming our technology:** In order to further simplify how we operate and drive faster and more efficient change we are making investments to transform and simplify our technology estate. Our previous investments in technology, such as enterprise resource planning and eCommerce, have put us ahead of the market but we now face an inflection point where new technology is available in areas such as cloud, mobile and artificial intelligence that brings significant opportunities for us and our customers. To take the greatest advantage of this we are investing in upgrades, replacements and new technology. We will do this systematically based on where the greatest opportunities are to create scalability, flexibility and simplicity starting with: online and mobile user experience, product and content management, supply chain, value-added solutions data and technology infrastructure.

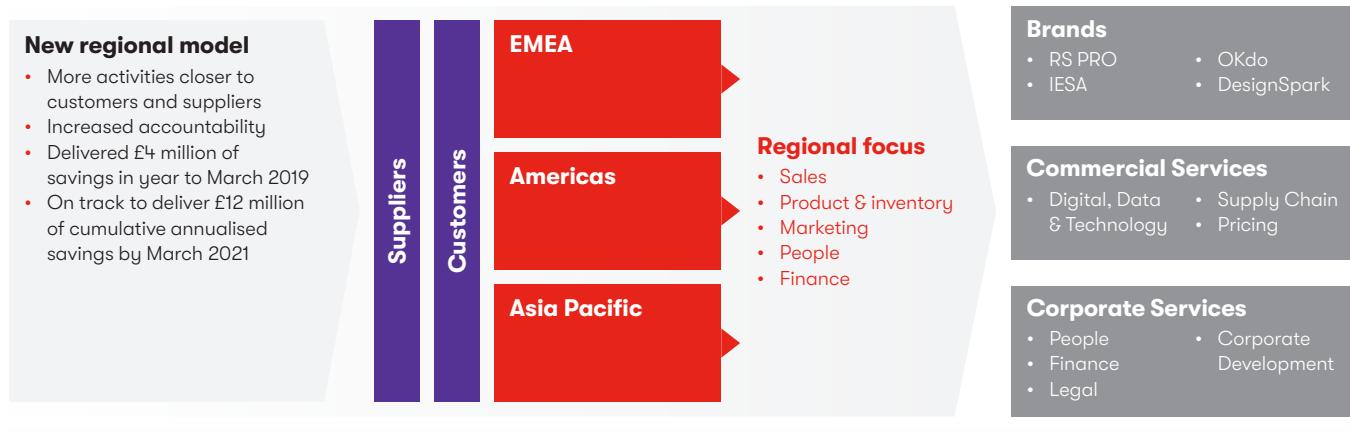
• Best-in-class supply chain

We are also investing in our supply chain to ensure our distribution centres (DC) are more automated and efficient and have the capacity and capabilities to underpin our future growth and service aspirations. During 2019, a two-year £40 million project started for the extension of our warehouse in the Americas. This project, which is due to be completed in the summer 2020, will not only increase the footprint of our DC from 300,000 square feet to over 500,000 square feet but also increase the level of automation and efficiency, allowing us to more than double our product range in the long term (see page 23). Moving into 2020, we are accelerating our initiative to build a scalable, more customer-centric supply chain with the expansion of our German DC. This c. £60 million project will greatly increase the throughput of the DC and build the capacity to enable further range expansion for RS. The new enlarged DC will be capable of acting as a replenishment centre to support other DCs across the globe with automatic storage and retrieval systems, as well as having the capabilities to house both electronic and industrial products.

• Global shared services and automation strategy

During 2019 we made a good start at rolling out our global shared services strategy. In October, we opened a new regional centre of expertise in Foshan, China; this centre is now taking on more activities to support our businesses across Asia Pacific and other parts of the Group (see page 29). Quality and efficiency have improved and Asia Pacific now has a scalable back-office structure to support its growth plans. During 2020, the focus will be on improving efficiency and quality in EMEA; we are already making progress at consolidating more activities into our shared services centre in Corby, UK. We have also made good progress in rolling out our global programme to automate standardised transactional activities. We have completed proof-of-concept exercises and are now actively rolling out bots in areas such as content management, finance and

Simple model



marketing (see page 21). All our initiatives in this area are focused on driving improved service at lower cost for external and internal customers while also making our model simpler and more scalable.

• Creating a talent engine

Human touch and technical expertise have long been key differentiators for our business. In an increasingly digital world our people are vital parts of this process. We need to be a more diverse organisation. We want our people to be innovative and to act as owners, and as such we are introducing two new all employee share plans (summaries of these are included in the Notice of Annual General Meeting). Customer service and technical expertise will become an even more important differentiator, particularly as we move to broaden our value-added solutions offer. We are increasing our work with universities and colleges to attract the best talent. We plan to invest more to build training and development programmes so we can enable a pipeline of future leaders to help us continue our transformation from a distributor of products into a provider of value-added solutions. Onboarding, training, development and retention are all crucial to execute our growth plans; this remains a key priority for my leadership team.

3) Making more possible

Electrocomponents is focused on inspiring all those who engineer to make more possible. We believe that by making more possible for our suppliers, customers, employees and communities, we have an opportunity to drive sustainable revenue growth and market share gains, and significantly improve profitability in the longer term.

We are building a more aspirational and innovative culture at Electrocomponents. My biggest fear continues to be complacency. Much has been achieved over the last four years and our performance has been good. However, given the scale of our market opportunity, I believe our performance needs to be great not just good. We, as a management team, are focused on delivering great. It is our job as leaders to continually challenge ourselves and those around us to achieve more so we can build a culture where people believe that they can make more possible. To date, our improvement plan has been focused primarily on continuous improvement and doing the basics brilliantly. This remains a focus and we have more to do on this front. But increasingly we also need to consider how we can do things differently and to evaluate new business models and ways of working so that we can continue to differentiate and remain relevant.



CASE STUDY

OKdo Cloud – our IoT based platform

The OKdo Cloud is designed for easy and fast IoT development and aims to make the gathering, visualisation and analytics of data more simple. It enables customers to easily set up a network of a wide range of IoT devices to talk and share data with each other, minimising the need for software and cloud expertise. The OKdo Cloud is free for early stage design projects and is offered on a subscription model basis for more comprehensive and scalable solutions through our partner AllThingsTalk.

Our world is moving fast, whether it is health through medtech, travel via autonomous vehicles or manufacturing with IoT. Our customers' lives are also changing and we need to ensure that we are developing the services and solutions they will be demanding in three to five years' time. We are building a culture where people are encouraged to be innovative and risk aware as opposed to risk averse. We are already beginning to roll out new and more innovative solutions to our customer base at IESA and Monition, as well as to our DesignSpark members. In April 2019, we launched a new global technology company, OKdo, focused on SBC and IoT. OKdo will be servicing business-to-business (B2B) and B2C customers delivering a unique combination of hardware, software, development support and manufacturing services to inspire and enable customers to generate new ideas and turn them into commercial reality. Moving forward we will not shy away from piloting and testing new business models and initiatives. I believe that we have a unique opportunity to redefine how we play in our market and to bring more value to our customers so together we can make more possible. And this is what excites me most!

We also believe that we have a responsibility to make more possible for our communities. The engineering skills gap and decline in focus on science, technology, engineering and mathematics (STEM) is an issue that we feel particularly passionate about. As a business that serves the engineering industry, we have a duty, as well as the ability, to inspire and influence the next generation of engineers. In the UK alone, research shows that for every engineering job created a further 1.74 jobs are generated in the British workforce.

We are embracing our responsibility to play our part and help close the skills gap in many different ways. A significant focus of our activities is in promoting technology and engineering to school-aged children (see pages 44 and 45). We encourage our employees to engage in STEM activities both internally across the business and in conjunction with external organisations – and we give them the flexibility to do this alongside work commitments. We are proud to say that 150 of our UK employees are registered STEM Ambassadors and for 2020 our target is to increase this number and include other markets. As an organisation we are playing a key role in promoting, inspiring and supporting engineering across the globe, whether it is in manufacturing plants, design laboratories or in the classroom.

Lindsley Ruth

Chief Executive Officer
20 May 2019

OUR SENIOR MANAGEMENT TEAM¹

- 1.** Lindsley Ruth
- 2.** David Egan
- 3.** Mike England
- 4.** Frank Lee
- 5.** Debbie Bowring
- 6.** Guy Magrath
- 7.** Kurt Colehower
- 8.** Debbie Lentz
- 9.** Ian Haslegrave
- 10.** Michael Cramb

See pages 58 and 59 for management biographies.



1. President of Allied Electronics & Automation to be appointed

MAKING MORE POSSIBLE FOR CUSTOMERS

Morrisons is reaping the benefits of IESA's procurement and stores management services

STRATEGIC PRIORITY
OPERATIONAL
EXCELLENCE



We are focused on driving continuous improvement so that we can enhance our customer service and efficiency

- Our value-added solutions provide our customers with tools across the product life cycle to make their lives easier
- We offer solutions from design through to procurement and inventory management to maintenance
- IESA enhances our proposition by offering a fully outsourced end-to-end solution in three key areas: sourcing; transaction processing; and inventory and stores management



CASE STUDY

Helping Morrisons improve efficiency



IESA's partnership with Morrisons began at the end of 2017 with the first manufacturing site launching shortly afterwards; this has now expanded to cover nine locations across the UK with potential for further growth in the future. IESA provides Morrisons with a number of services including procurement, giving sites access to IESA's MyMRO cloud-enabled marketplace system, as well as on-site engineering stores management.

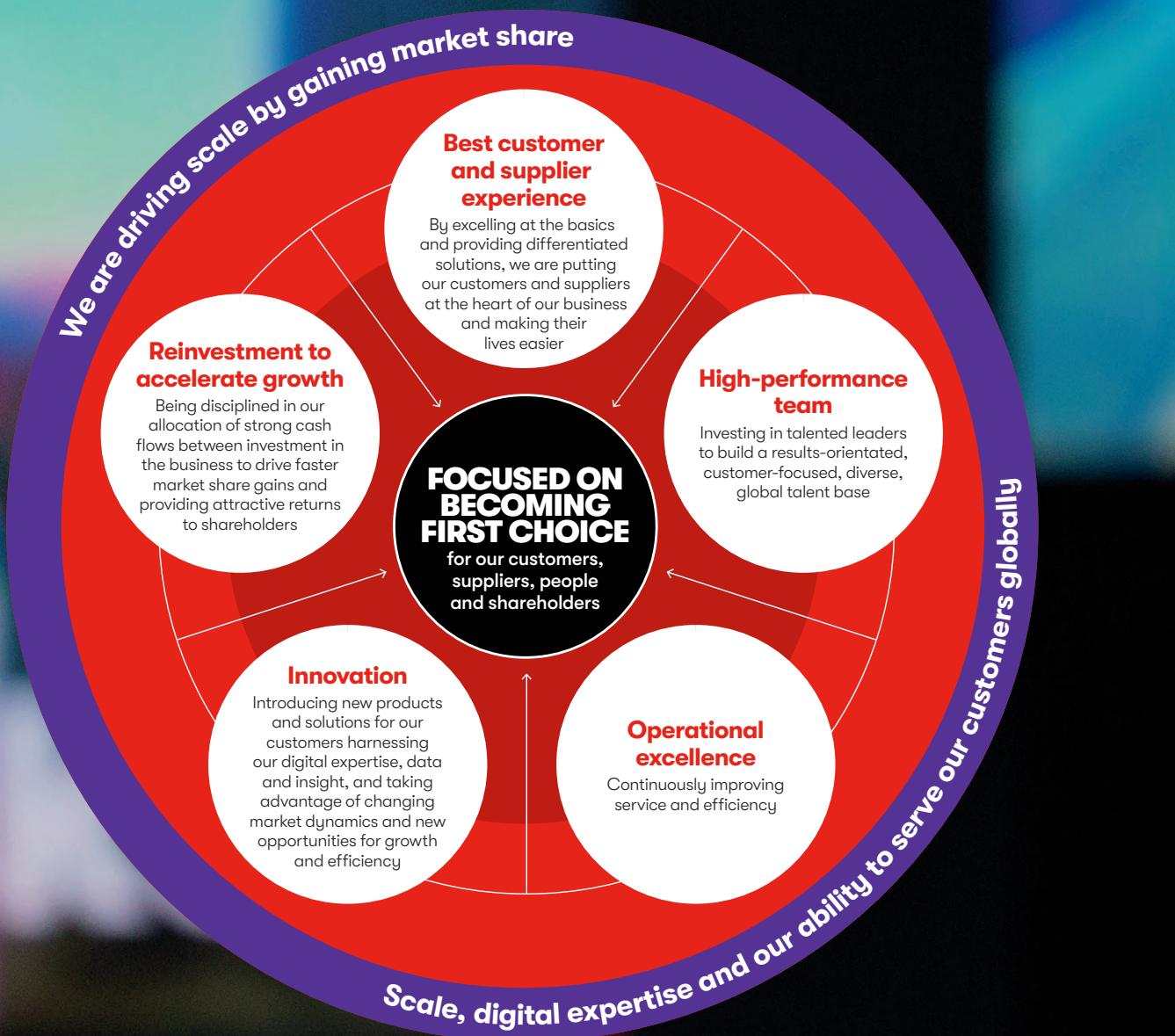
The partnership has been highly successful in driving procurement savings and efficiencies for Morrisons. IESA continues to identify opportunities for continuous improvement and enhanced ways of working in Morrison's engineering stores, driving benefits such as working capital efficiencies.

"Working in partnership with Morrisons has meant an extremely exciting roll out of operations over multiple sites throughout the past year. We continue to collaborate with this diverse manufacturer to deliver a programme of savings and projects, enabling the site teams to focus on their core activities."

DEBBIE BOWRING
CHIEF OPERATING OFFICER
IESA

WE ARE DRIVING SCALE TO GAIN MARKET SHARE

We are focused on five key strategic priorities that we believe will drive consistent market share gains and improved profitability. If we do these five things well we will build a business capable of delivering sustainable growth and superior returns for all our stakeholders.



BEST CUSTOMER AND SUPPLIER EXPERIENCE



What this means

By excelling at the basics and providing differentiated solutions, we are putting our customers and suppliers at the heart of our business and making their lives easier

Our progress in 2019

We have made good progress at improving customer and supplier experience. Our average Group rolling 12-month Net Promoter Score (NPS) rose a further 5.1% to 54.0. We remain committed to driving a best-in-class customer and supplier experience focused on three key priorities:

• Ease of use

- One-stop shop: continued range expansion with the addition of over 60,000 new products across RS and over 25,000 across Allied
- Further enhanced our range of value-added solutions across design, procurement, inventory and maintenance
- Introduced a global track and trace capability
- Significant improvement to mobile experience
- The five regions we report for CSAT (an online customer satisfaction score) achieved a score of 69, with all but one region seeing stable / improving scores during the year

• Hyper-personalisation

- Introduced data-driven personalisation across websites
- Increased use of data to provide strategic suppliers with a self-serve dashboard to enable rich behavioural insights
- Continued customer service training to handle calls more effectively

• ‘Faster than real-time’

- Further improvement in website speed – 18% year on year
- Significant growth in same-day click and collect service
- We continue to simplify new product introduction process

Future initiatives

In our business, best-in-class means achieving NPS scores in the 60s. We are doing this in some markets, but not all, so we will continue to focus on the following key areas:

• Ease of use

- One-stop shop: we aim to offer unrivalled choice and plan to significantly scale our product range
- Roll out new value-added solutions to further differentiate customer experience
- Ongoing enhancements to search, content and mobile capabilities

• Hyper-personalisation

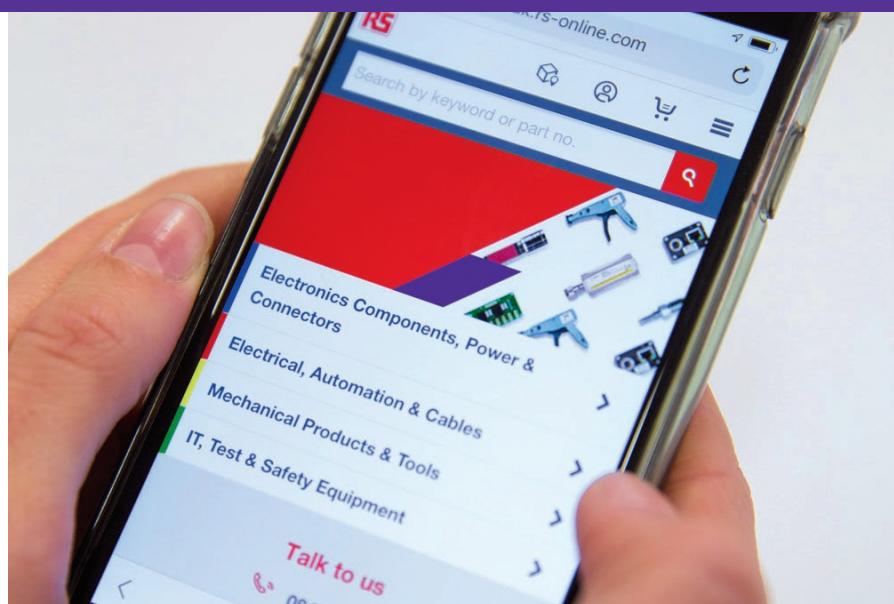
- Build a data ecosystem to industrialise the use of data across the business
- Scale data-driven marketing by expanding the use of data from in-store on the website to pre-store and post-store

• ‘Faster than real-time’

- Improve online checkout from four pages to one page
- Use data to put products as close to customers as possible
- Increase automation and enhancements to supply chain

Online experience – personalisation

Our customers are becoming more demanding, wanting unparalleled ease of use, hyper-personalisation and ‘faster than real-time’ experience. During 2019 we have introduced data-driven personalisation across our websites. We are using artificial intelligence-based tools to recommend products to customers based on either their previous behaviour or that of similar customer types. This is not only driving a more relevant experience for our customers but also leading to a higher level of traffic converting into revenue. Going forward, we will scale the use of data-driven marketing so that we can serve experiences that speak to the right customer, adapting to new behaviours and anticipating best next steps.



HIGH-PERFORMANCE TEAM



What this means

Investing in talented leaders to build a results-orientated, customer-focused, diverse, global talent base

See pages 47 to 49 for further information on our people.

Our progress in 2019

Employee engagement participation rose to 82% (2018: 79%), with employee engagement stable at 71%. Focus across the regions to maintain employee engagement includes:

• Building the right culture

- New regional structure has driven increased culture of accountability and collaboration across the business
- Continued to drive a more diverse / inclusive culture; launched communities that are underrepresented
- Increased employee participation in science, technology, engineering and mathematics (STEM) activities (150 STEM ambassadors in the UK)

• Investing in our talent

- Continuous Improvement (CI) training – 600+ employees now trained across the business
- Increased training and development opportunities for employees in areas such as sales force effectiveness, customer service and management programmes
- Further investment to improve our capabilities in areas such as electronics, digital and technical support
- Launched future leadership programme to develop early-career talent

• Creating pipeline of future talent

- Launched new careers website for RS to attract top talent
- Established new relationships with universities / colleges
- New apprenticeship programme – commitment to 5% of the UK workforce in earn and learn positions within five years
- Launched new global internship programme

Future initiatives

We aim to drive a customer-centric, innovative and results-orientated culture through continued focus on:

• Building the right culture

- Continue to embed diversity and inclusion across business
- Focus on attracting and developing female talent to close our gender pay gap
- Introduce all employee share plans to encourage our people to act as owners
- Continue to promote employee involvement in STEM and other community initiatives

• Investing in our talent

- Continue to increase CI training – targeting 10% of employees to be CI trained
- Attract new talent and support our people to build new skills and capabilities in areas such as digital, data, artificial intelligence (AI) and Internet of Things (IoT)
- Evolve our core development activities to build skills and capabilities from early-career talent to management
- Identify future leaders in technical and managerial positions
- Continue to improve onboarding programmes

• Creating pipeline of future talent

- Further develop global internship and early-career programmes
- Make use of the apprenticeship levy with strategic focus on roles in data, digital and sales
- Increase the percentage of the UK workforce in earn and learn positions from around 2% today to 5% within five years

Global internship programme

We have developed a new programme to strengthen existing partnerships and establish new relationships with universities across the globe. To date we have connections with 60 universities worldwide. Our ambition is to build on these relationships and identify top-talent students who will eventually join us as employees. In May 2019, students from the Industrial Distribution Talent Incubator Programme at Texas A&M University will be joining us in our London and Corby offices for summer internships. They are the first candidates to take part in our new global internship programme.



60

University relationships
worldwide

OPERATIONAL EXCELLENCE



What this means

Continuously improving service and efficiency

Our progress in 2019

We are focused on CI so we can drive improved customer service and higher returns:

- **Strong financial momentum**

- Adjusted operating profit conversion up 2.7 percentage points to 26.3%, the third consecutive year of improvement
- Adjusted operating profit margin up 1.3 percentage points to 11.7%

- **Shared services and automation**

- Developed a global strategy to scale use of shared services and automation across the business
- New centre of expertise opened in Foshan, China
- More activities consolidated into the EMEA centre of expertise in Corby, UK
- Introduced robotic process automation to drive improved service and efficiency

- **Improved operational capabilities**

- Significant CI benefits delivered across over 350 projects
- Introduced CI capabilities in the Americas
- Launched a new dynamic pricing tool in EMEA
- Rolled out a global track and trace capability

Future initiatives

We will focus on driving innovation and CI so we can improve customer service and higher returns:

- **Strong financial momentum**

- Target 30% adjusted operating profit conversion ratio

- **Shared services and automation**

- Further expand the scope of activities covered by our regional shared services centres of expertise
- Scale the use of robotic process automation for standardised transactional activities across the globe
- Increase the level of automation in our distribution centres (DC) to drive better service at lower cost

- **Improved operational capabilities**

- Establish an accredited Lean Academy to build CI capability across our business
- Scale use of data to drive decision making
- Roll out dynamic pricing tool in Asia Pacific and the Americas
- Optimise global transportation to drive improved service and efficiency

Robotic process automation

Our content localisation team consists of language experts and content analysts, who spend time translating and optimising the content of local language websites. The team uses a third party to translate content into multiple languages, however this requires the labour-intensive and time-consuming transfer of data files between the parties. In mid-December 2018, we introduced an automated robot to execute this transfer of data files. To date, over 22,700 files have been transferred due to the process being run more regularly. The content localisation team now has more time to focus on improving and optimising the content, leaving the labour intensive tasks to the automated robot. We currently have ten automated robots across the business, aiding in various tasks.



INNOVATION



What this means

Introducing new products and solutions for our customers harnessing our digital expertise, data and insight, and taking advantage of changing market dynamics and new opportunities for growth and efficiency

Our progress in 2019

During 2019 we have focused on setting up organisational frameworks and processes to enable diversity of thought and experimentation of new ideas:

- **Culture and process**

- Cultivation of innovative culture and divergent thought patterns through training

- **Project pipeline**

- Delivery of 15 projects to test and learn on new innovation fronts
- Developed OKdo Cloud – our IoT based platform
- Internal AI-driven product selector to bring together multiple sources of insight to drive faster customer call resolution

Future initiatives

As we move into 2020, our focus will be to expand and exploit innovation capabilities to drive more breakthrough propositions for customers and suppliers:

- **Culture and process**

- Train our people to cope with the dynamic introduction of new practices and technologies across manufacturing services, design and procurement

- **Project pipeline**

- Automate and predict failure in maintenance applications enabled through robotics, IoT and data software
- Design smarter end products faster, through smart software and new technologies

Industry 4.0 – Monition

Technology is revolutionising the discipline of maintenance engineering. Currently, there is significant appetite for Industry 4.0 applications to enable continuous improvement in productivity. In January 2019, Electrocomponents acquired Monition Limited, a UK-based pioneer in the design, development and application of leading reliability and condition-monitoring systems. With over ten years of R&D investment, Monition is ready to take to market leading edge Industry 4.0 products and services. With a client base from a broad range of industries, Monition is able to develop and support a range of smart applications from rule-based decision making for oil analysis to data monitoring of condition-based maintenance.



REINVESTMENT TO ACCELERATE GROWTH



What this means

Being disciplined in our allocation of strong cash flows between investment in the business to drive faster market share gains and providing attractive returns to shareholders

Our progress in 2019

We have continued to invest in areas such as talent, digital, mobile, data and value-added solutions to successfully differentiate our customer experience and drive market share gains:

• Organic investment

- Initiated the Americas DC expansion plan to support future growth
- Improved digital marketing and customer experience to drive faster growth
- Invested in inventory to support customer service
- Continued investment to develop a data ecosystem to drive better decision making and a personalised experience for customers and suppliers

• Inorganic investment

- Acquisitions of IESA and Monition to accelerate growth in value-added solutions

Future initiatives

Moving forward, our number one priority will continue to be organic growth, however we will continue to assess inorganic opportunities to help accelerate our strategy:

• Organic investment

- Complete Americas DC expansion
- Expand our German DC to drive improved customer experience and support future growth
- Invest to build a scalable product data architecture
- Simplify technology estate to drive efficiencies
- Improve digital marketing and customer experience to drive faster growth
- Continue to invest to build a data ecosystem

• Inorganic investment

- We see opportunities to continue to drive consolidation in our large fragmented market. We will focus on value-accretive acquisition opportunities that fit with our culture and strategy in three key areas:
 - i. Product range expansion
 - ii. Market share expansion in key markets: US, UK, Germany
 - iii. Value-added solutions

Distribution centre expansion

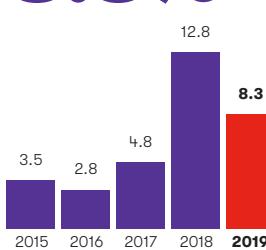
In September 2018, we began a £40 million project to enlarge and automate our DC in Fort Worth, Texas. This new 500,000 square feet DC will support future growth and range expansion for the Americas. It will almost double its capacity from day one, with further potential to grow up to three times the product capacity and throughput levels of the current DC. The introduction of robotics and automation will increase efficiencies and decrease waste, particularly in packaging and shipping costs. It will also benefit our strategic suppliers by improving the delivery process and allowing them to showcase their new product lines and innovation in-situ. The new state-of-the-art DC is expected to be fully operational in summer 2020.



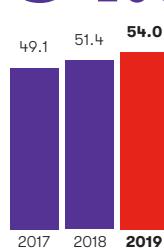
A BALANCED SET OF MEANINGFUL MEASURES

We use the following eight key performance indicators (KPIs) to measure our progress in delivering the successful implementation of our strategy and monitor and drive our performance. Our KPIs reflect our strategic priorities: to deliver a best-in-class customer and supplier experience; to drive operational efficiency; and to reinvest cash flow both organically and via acquisition to drive future growth and returns for our shareholders.

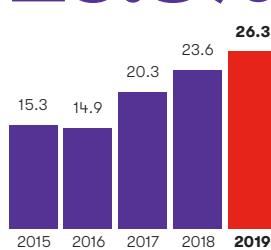
Like-for-like revenue growth

8.3%

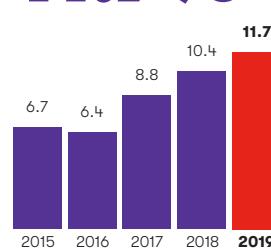
Group rolling 12-month NPS

54.0

Adjusted operating profit conversion

26.3%

Adjusted operating profit margin

11.7%

Why this is important

By driving a differentiated customer experience and providing innovative solutions, we aim to drive market share gains and higher revenue growth, which in turn drives profit growth. Like-for-like revenue growth is adjusted for trading days and currency movements.

There is a good correlation between high customer loyalty scores and our financial performance. Net Promoter Score (NPS) is a customer satisfaction measure. Achieving consistently strong customer satisfaction ratings remains a key priority and will drive stronger financial performance. This year we updated this KPI from RS NPS to Group NPS to include Allied. It does not include our acquisitions.

We are constantly striving to make our operating model as lean and efficient as possible so we can convert a higher percentage of gross profit into adjusted operating profit. Our aim is that each region, each market and each individual takes responsibility for our performance and constantly questions whether we can do things more efficiently to drive greater returns.

Adjusted operating profit expressed as a percentage of revenue. A great customer experience, high-performance team and operational excellence should all drive improvement in operating profit margin.

Link to strategic priorities

- Best customer and supplier experience
- High-performance team
- Innovation
- Reinvestment to accelerate growth

- Best customer and supplier experience
- High-performance team
- Innovation

- High-performance team
- Operational excellence
- Innovation

- Best customer and supplier experience
- High-performance team
- Operational excellence

Link to principal risks



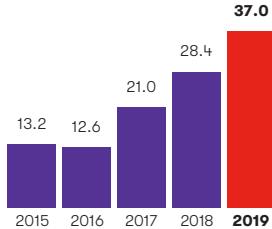
KEY TO OUR PRINCIPAL RISKS (SEE PAGES 40 AND 41)

- 1 Consequences on the organisation of the UK exit from the EU
- 2 Fail to respond to strategic market shifts e.g. changes in customer demands and / or competitor activity
- 3 The Group's revenue and profit growth initiatives are not successfully implemented
- 4 Failure to comply with international and local legal / regulatory requirements
- 5 Failure in supply chain infrastructure
- 6 Prolonged system outage
- 7 Information loss / cyber breach
- 8 UK defined benefit pension scheme cash requirements are in excess of cash available
- 9 People resources unable to support the existing and future growth of the business
- 10 Macroeconomic environment deteriorates

For definitions and reconciliations of all alternative performance measures, refer to Note 3 on pages 115 to 118.

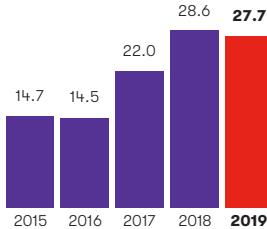
Adjusted earnings per share

37.0p



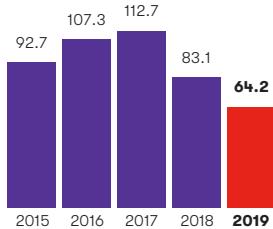
Return on capital employed (ROCE)

27.7%



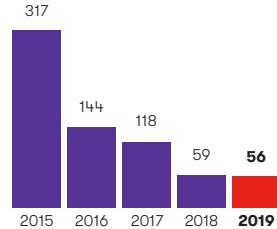
Adjusted operating cash flow conversion

64.2%



All Accidents

56



Adjusted earnings per share is a measure of growth and profitability of the Company that also reflects management performance. It is also a measure used by investors in deciding whether to invest in the Company.

A tight focus on working capital control and more disciplined capital investment, coupled with increased profitability, will drive improved returns for our shareholders. This is measured as adjusted operating profit expressed as a percentage of net assets excluding net debt and retirement benefit obligations.

By tight working capital management and disciplined capital investment, we aim to convert a high percentage of our operating profit into operating cash flow. This is defined as adjusted free cash flow before income tax and net interest paid, as a percentage of adjusted operating profit.

A safe environment is important for the well-being of our employees and the success of our business. We are targeting an ongoing reduction in the frequency of All Accidents. This year we have updated this KPI from lost time accidents (LTAs) to All Accidents. All Accidents includes LTAs, focusing the Group on preventing all accidents.

- Best customer and supplier experience
- High-performance team
- Operational excellence
- Innovation
- Reinvestment to accelerate growth

- High-performance team
- Operational excellence
- Innovation
- Reinvestment to accelerate growth

- High-performance team
- Operational excellence
- Reinvestment to accelerate growth

- High-performance team
- Operational excellence



REGIONAL PERFORMANCE

Overall results

	2019	2018	Change	Like-for-like ¹ change
Revenue	£1,884.4m	£1,705.3m	10.5%	8.3%
Gross margin	44.5%	44.0%	0.5 pts	0.2 pts
Operating profit	£201.0m	£172.6m	16.5%	15.3%
Adjusted ² operating profit	£220.3m	£177.1m	24.4%	20.8%
Adjusted ² operating profit margin	11.7%	10.4%	1.3 pts	1.1 pts
Adjusted ² operating profit conversion	26.3%	23.6%	2.7 pts	2.5 pts

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2018 converted at 2019 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. The IESA and Monition acquisitions contributed £27.7 million to revenue. Currency movements increased revenue by £1.3 million, extra trading days increased revenue by £8.4 million.
2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (refer to Note 3 on pages 115 to 118 for reconciliations).

In the first half of the year, we successfully reorganised the business around three regions: EMEA, the Americas and Asia Pacific. Our new model is simpler and more customer centric, bringing activities such as product and supplier management, digital and marketing closer to our customers and suppliers thereby allowing us to adapt to customer needs more quickly and make our offer more relevant to the local market. In order to drive further accountability, we also took the opportunity to move a greater proportion of costs that had previously been charged in central costs to the regions. The 2018 comparatives below have been restated accordingly.

Across the globe, our teams remain focused on becoming first choice for our customers by delivering a best-in-class customer experience. Our research shows that when we become first choice for customers, they spend over 25% more with us, so this remains our priority. We were pleased to see a further increase in our Net Promoter Score (NPS), a measure of customer satisfaction, which rose 5.1% to 54.0 (2018: 51.4).

Overall, we have continued to grow ahead of the market with key markets such as the UK, Germany and the US all continuing to see market share gains as well as good growth in smaller markets such as Scandinavia, Eastern Europe, Australia and New Zealand (ANZ) and South East Asia. This has been driven through growing our customer count and selling more to our existing customers. We continue to grow our customer count by investing in digital marketing and brand awareness to drive more traffic to our websites and improving our online experience so we can convert a higher proportion of this traffic into revenue. We capture a larger share of our existing customers' wallets by continuing to focus on expanding our range of products and value-added solutions and ensuring we sell efficiently both offline, via implementing sales effectiveness programmes, and online, via increased personalisation of our websites.



EMEA accounts for 64% of Group revenue and breaks down into four sub-regions: Northern Europe, Southern Europe, Central Europe and our emerging market operations. IESA's and Monition's results are included within Northern Europe. RS, RS PRO, IESA and Monition are our key trading brands in EMEA. Our largest offering of value-added solutions sits in EMEA, helping to make our customers' lives easier. A broad range of products and high inventory availability are key priorities for our customers. We differentiate our offering from that of the competition by providing a best-in-class online experience, supported by a knowledgeable sales force, technical expertise, 24/7 customer support and value-added solutions.

Overall results

	2019	2018	Change	Like-for-like ¹ change
Revenue	£1,210.0m	£1,083.5m	11.7%	8.5%
Operating profit	£193.5m	£161.0m	20.2%	16.2%
Operating profit margin	16.0%	14.9%	1.1 pts	0.9 pts

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
- Overall, EMEA revenue increased 11.7%, 8.5% on a like-for-like basis, to £1,210.0 million (2018: £1,083.5 million). We estimate that over two-thirds of our growth in EMEA was driven by market share gains in a healthy underlying market despite a backdrop of political and economic uncertainty. Like-for-like revenue growth remained strong in both the first and second half of the year (H1 9.3%; H2 7.7%).

- All four sub-regions within EMEA saw strong like-for-like revenue trends across the year, with Central Europe seeing the strongest growth.
- EMEA rolling 12-month NPS rose by 5.5% to 55.3, as improved online customer experience was a continued focus.
- Digital, which accounts for around 70% of the region's revenue, grew at 9.8% on a like-for-like basis, higher than that of the region.
- RS PRO, which accounts for around 17% of the region's revenue, outperformed the region with 11.2% like-for-like growth.
- EMEA saw modest like-for-like gross margin improvement, positively impacted by a change in product mix with strong growth from RS PRO as well as initiatives to drive discount discipline.
- Operating profit rose 20.2%, 16.2% on a like-for-like basis, to £193.5 million (2018: £161.0 million).
- Operating profit margin rose 1.1 percentage points, 0.9 percentage points on a like-for-like basis, to 16.0% (2018: 14.9%), driven by strong revenue growth, gross margin improvement and continued cost discipline.

EMEA sub-regional revenue performance

	2019	2018	Change	Like-for-like ¹ change
Northern Europe	£529.5m	£454.3m	16.6%	9.7%
Southern Europe	£367.7m	£344.8m	6.6%	6.1%
Central Europe	£265.1m	£238.8m	11.0%	10.3%
Emerging markets	£47.7m	£45.6m	4.6%	5.0%
Total EMEA revenue	£1,210.0m	£1,083.5m	11.7%	8.5%

1. Like-for-like adjusted for currency and trading days and to exclude the impact of acquisitions.

All the sub-regions within EMEA saw strong like-for-like revenue trends across the year:

- **Northern Europe (44% of EMEA revenue)** is the largest sub-region within EMEA and consists of the UK, Ireland and Scandinavia. The UK is the main market in this sub-region, accounting for around 90% of the revenue. Northern Europe's revenue increased by 9.7% on a like-for-like basis, to £529.5 million (2018: £454.3 million). The team in Northern Europe continued to make significant progress at broadening our value-added solutions offering to deepen customer relationships and extend them further across the product life cycle. Northern Europe saw significant growth in solutions such as calibration, inventory management, purchasing manager and eProcurement, which were key drivers of the strong performance. The IESA and Monition acquisitions, which are reported within Northern Europe, have also accelerated the Group's strategy in this area. The Northern European team remains focused on improving its go-to-market strategy, accelerating digital customer acquisition, expanding its value-added service proposition and continuing to drive improved sales effectiveness which together have driven an increase in customer numbers. Northern Europe saw the strongest growth in customer count of all markets in EMEA.

- **Southern Europe (30% of EMEA revenue)** consists of our operations in France, Italy and Iberia (Spain and Portugal). France is the main market, accounting for approximately two-thirds of Southern Europe's revenue. Revenue increased by 6.1% on a like-for-like basis with growth broadly consistent across the two halves. Southern Europe continued to experience economic headwinds, leading to slower market growth than that of the rest of our European sub-regions. We continued to outperform market growth across the sub-region. France grew slightly above the sub-region performance, while Iberia and Italy were below. France's growth was aided by strong growth in corporate accounts. Both Iberia and Italy saw leadership team changes during the year. The teams have started to build the foundations to implement new initiatives to support stronger growth in the medium term. Across the sub-region we have been redefining our sales team processes and tools and in 2020 we will accelerate this initiative further. We also continue to enhance our value-added solutions offering across Southern Europe with calibration, inventory management and 3D printing solutions.

- **Central Europe (22% of EMEA revenue)** consists of our operations in Germany, Austria, Benelux, Switzerland and Eastern Europe. Germany is the main market in the sub-region accounting for approximately 60% of the revenue and has the largest growth opportunity within EMEA. Central Europe was the strongest performing sub-region in EMEA, with 10.3% like-for-like revenue growth. All countries within the region saw good growth, however Eastern Europe saw significant growth, benefiting from strong execution and an increasing trend of manufacturing companies moving their production to Eastern Europe. The new Central European leadership team is now in place and has been further strengthened over the past year. As a result we have seen significant cultural change within the sub-region and the new team has focused on improving the basics with a particular focus on customer experience and sales force effectiveness. We have begun work to enhance our sales process in the sub-region and driven successful initiatives to improve service reliability, online technical content, eProcurement capabilities and customer call handling. We are also expanding our German distribution centre (DC) to build a scalable and more customer-centric supply chain. This c. £60 million project will greatly increase the throughput of the DC, allowing for further range expansion for the RS operation.
- **Emerging market operations (4% of EMEA revenue)** has operations in South Africa and third-party distributors in other territories. During 2019, our emerging market operations saw 5.0% like-for-like revenue growth with good growth from South Africa in the second half of the year, outweighing the negative impact of foreign exchange volatility experienced in the first half. The sub-region's revenue was also impacted by slower growth in single-board computing (SBC).



Americas

The Americas accounts for 26% of Group revenue. Allied Electronics & Automation (Allied) is our main trading brand in the Americas, where we have operations in the US, together with smaller operations in Canada, Mexico and Chile. Allied's key focus remains on the automation and control market, offering a broad range of national franchises to customers. Its strong digital presence and technical expertise differentiate Allied from competitors that are primarily niche focused and digitally immature.

Overall results

	2019	2018	Change	Like-for-like ¹ change
Revenue	£483.6m	£440.8m	9.7%	8.6%
Operating profit	£62.1m	£51.4m	20.8%	19.4%
Operating profit margin	12.8%	11.7%	1.1 pts	1.1 pts

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.

- The Americas revenue increased 9.7%, 8.6% on a like-for-like basis, to £483.6 million (2018: £440.8 million), with just under half of our growth in the Americas estimated to be driven by market share gains. Like-for-like revenue growth slowed to 6.3% in the second half versus 10.9% in the first half, as we saw tougher comparators and a moderation in market growth.
- The Americas rolling 12-month NPS score rose a further 2.3% to 69.7 (2018: 68.1) and remained the highest of our three regions. It has continued to provide a strong customer experience, both online and offline.
- Digital, which accounts for around 42% of revenue in the region, grew at 6.9% on a like-for-like basis.
- RS PRO continued to grow strongly, adding 7,000 new products online. It currently represents less than 1% of regional revenue and therefore is a significant growth opportunity within the region.
- The Americas continued to see growth in customer count during the year, however, the key driver was growth in average order value as we continued to expand the range successfully and sell more to customers. The team added 25,000 new stocked products across the year.
- The £40 million expansion of the Americas DC is progressing well with completion expected in summer 2020. The new DC will offer scope to more than double the Allied stocked range in the coming years.

- The team in the Americas saw a gross margin improvement from a number of initiatives which drove improved pricing and discount discipline.
- Operating profit rose 20.8%, 19.4% on a like-for-like basis, to £62.1 million (2018: £51.4 million).
- Operating profit margin rose 1.1 percentage points to 12.8%, driven by improved gross margin and tight underlying cost control which more than offset the increased investment across the business.



Asia Pacific

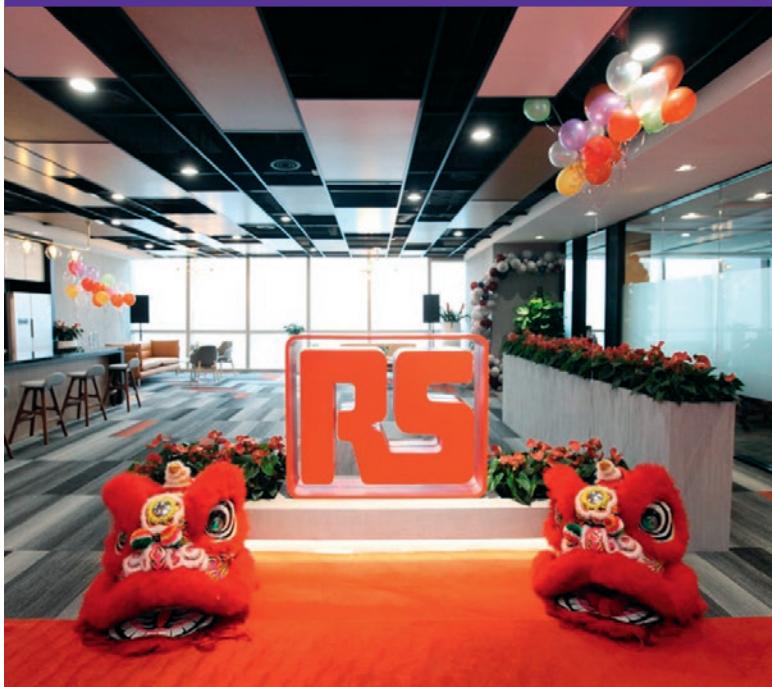
Asia Pacific accounts for 10% of Group revenue and consists of four similarly sized sub-regions: ANZ, Greater China, Japan and South East Asia. RS and RS PRO are our key trading brands in Asia Pacific. Similar to EMEA, there is great potential for our Asia Pacific region to become the one-stop-shop partner of choice for industrial customers, offering a broad, localised range with strong technical expertise, a multi-channel approach and a growing range of value-added services.

Overall results

	2019	2018	Change	Like-for-like ¹ change
Revenue	£190.8m	£181.0m	5.4%	6.2%
Operating profit / (loss)	£3.0m	£(0.9)m	433.3%	300.0%
Operating profit margin	1.6%	(0.5)%	2.1 pts	2.4 pts

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.

- Overall, Asia Pacific revenue increased 5.4%, 6.2% on a like-for-like basis, to £190.8 million (2018: £181.0 million). Growth slowed to 2.7% in H2 from 9.6% in H1, impacted by revenue declines in Greater China and Japan primarily due to digital performance issues. These declines were more than offset by double-digit growth in H2 of both ANZ and South East Asia as we continued to benefit from a healthy market backdrop and take market share.
- Digital, which accounts for around 59% of revenue in the region, grew at 6.9% on a like-for-like basis.



CASE STUDY

Foshan shared services centre

Our global shared services and automation strategy aims to improve customer experience at lower cost.

In October 2018 we opened our first centre of expertise in Foshan, China, with 128 employees focused on customer services, finance and inventory management. It is helping improve our customer experience in the region through standardisation of process, driving improved accuracy and scalability. It is an important step in developing a low-cost infrastructure capable of supporting growth in the region.

- RS PRO, which accounts for around 12% of revenue in the region, grew at 12.3% on a like-for-like basis. Across the year we expanded the reach of RS PRO in Asia Pacific by working with new partners and local resellers in China.
- We continue to make strong progress on our journey to improve customer experience in the region, with our rolling 12-month NPS score rising 12.3% to 36.4. Despite further progress our NPS score in Asia Pacific still remains below our other regions and we remain committed to continuing to drive improvement in customer experience in the region. Looking forward, we are focused on localising the digital experience in Japan and Greater China, as well as offering more local and relevant product ranges for our customers.
- We also continue to invest to strengthen our leadership and capabilities in the region. The greatest single opportunity in Asia Pacific remains China. The opening of our regional centre of expertise in Foshan, China has been an important step in developing a low-cost infrastructure capable of building a scalable business in this region. In May 2019, we appointed a new leader for our Greater China business, with a strong background in eCommerce and electronics, who will be focused on strengthening and building our local leadership team and offer so we can take our business in China forward at a faster pace.
- Gross margin saw a decline year-on-year due to a change in product mix driven by the increasing proportion of SBC revenue.
- During the year the region moved into profit, with operating profit of £3.0 million (2018: loss of £0.9 million), as lower gross margin was more than offset by revenue growth and tight cost control. Our new regional centre of expertise has been key in driving operational efficiencies and during the year we closed three physical office locations across the region as we move further towards a leaner primarily web-based model in South East Asia.

Central costs

	2019	2018	Change	Like-for-like ¹ change
Central costs	£(38.3)m	£(34.4)m	(11.3)%	(11.3)%

1. Like-for-like adjusted for currency.

Central costs are Group head office costs and include Board, Group Finance and Group Professional Services & People that cannot be attributed to region-specific activity.

Central costs increased to £38.3 million (2018: £34.4 million). Approximately half this increase related to the annualisation of the additional investments made in H2 2018 to expand our capabilities in areas such as corporate development and information security. The balance primarily relates to start-up costs for our new SBC and Internet of Things business, OKdo.

MAKING MORE POSSIBLE FOR OUR SUPPLIERS

Schneider Electric is leading the digital transformation of energy management and automation.

STRATEGIC PRIORITY
BEST CUSTOMER AND SUPPLIER EXPERIENCE

Over 2,500 suppliers partner with Electrocomponents to market and develop their products globally.
Suppliers value our strategic partnership because we provide:

- A market-leading online experience and an acclaimed digital marketing team
- Excellent customer service with in-depth sector and product expertise
- Over 1,800 customer-facing personnel worldwide including a salesforce which acts as an extension to the supplier's own team
- Valuable data and insight



CASE STUDY

Expanding Schneider's global reach

Schneider Electric makes it possible for IoT-enabled solutions to seamlessly connect, collect, analyse and act on data in real time to deliver enhanced safety, efficiency, reliability and sustainability.

- RS and Allied play a key role in expanding Schneider's reach; customer count has increased over the last three years by 16% in EMEA, Asia Pacific and the Americas.
- During 2019, we added 4,244 products in EMEA and Asia Pacific and 1,500 in the Americas and plan to further expand our range in the future.
- Digital is a key differentiator for us. We provide valuable data and insight, which help Schneider run its business more efficiently.

"The RS and Allied partnerships aid our growth. With them we can grow our reach and strengthen our customer relationships. Their digital insight provides us with the data we need to deliver smarter, integrated and more efficient solutions to our customers."

MIKE HUGHES
COUNTRY PRESIDENT UK & IRELAND,
SCHNEIDER ELECTRIC



STRONG REVENUE GROWTH AND IMPROVED PROFITABILITY



“We are focused on driving sustained revenue growth via market share gains, while tightly managing our cost base so over time we can deliver further improvement in operating profit margin.”

DAVID EGAN
CHIEF FINANCIAL OFFICER

Revenue

£1,884.4m **£201.0m** **£122.4m**

+10.5%
(2018: £1,705.3m)

Operating profit

£201.0m **£220.3m** **11.7%**

+16.5%
(2018: £172.6m)

Net debt

£122.4m

(2018: £65.0m)

Like-for-like¹ revenue growth

8.3%

(2018: 12.8%)

Adjusted² operating profit

£220.3m **11.7%**

+20.8% like-for-like¹
(2018: £177.1m)

Adjusted² operating profit margin

(2018: 10.4%)

Overview

	2019	2018	Change	Like-for-like ¹ change
Revenue	£1,884.4m	£1,705.3m	10.5%	8.3%
Gross margin	44.5%	44.0%	0.5 pts	0.2 pts
Operating profit	£201.0m	£172.6m	16.5%	15.3%
Adjusted ² operating profit	£220.3m	£177.1m	24.4%	20.8%
Adjusted ² operating profit margin	11.7%	10.4%	1.3 pts	1.1 pts
Adjusted ² operating profit conversion	26.3%	23.6%	2.7 pts	2.5 pts
Profit before tax	£195.2m	£168.6m	15.8%	15.2%
Adjusted ² profit before tax	£214.5m	£173.1m	23.9%	20.8%
Earnings per share	33.4p	33.9p	(1.5)%	(1.8)%
Adjusted ² earnings per share	37.0p	28.4p	30.3%	26.8%
Adjusted ² free cash flow	£84.5m	£105.1m	(19.6)%	
Adjusted ² operating cash flow conversion	64.2%	83.1%	(18.9) pts	
Net debt	£122.4m	£65.0m		
Net debt to adjusted ² EBITDA	0.5x	0.3x		
Return on capital employed	27.7%	28.6%		
Dividend per share	14.80p	13.25p	11.7%	

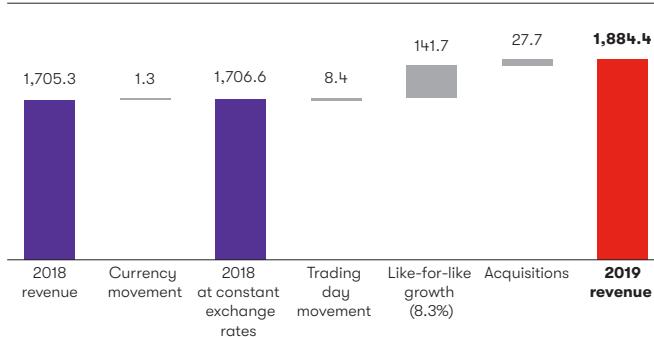
1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2018 converted at 2019 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year.

2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (refer to Note 3 on pages 115 to 118 for reconciliations).

Revenue

Group revenue increased by 10.5% to £1,884.4 million (2018: £1,705.3 million). The acquisitions of IESA and Monition contributed £27.7 million to revenue during the year. Excluding the impact of acquisitions, additional trading days and foreign exchange movements, like-for-like revenue growth was 8.3%. All three of our geographic regions being EMEA, the Americas and Asia Pacific, saw like-for-like revenue growth. RS PRO, our own-brand range, which accounts for around 12% of Group revenue, outperformed the growth rate of the Group with like-for-like revenue growth of 11.6%. Digital, which accounts for around 62% of Group revenue, also modestly outperformed with like-for-like revenue growth of 8.9%.

Like-for-like revenue development (£m)



Gross margin

Group gross margin increased by 0.5 percentage points to 44.5% (2018: 44.0%). The acquisitions were accretive to gross margin by 0.4 percentage points, while translational foreign exchange movements were negative to gross margin by 0.1 percentage point. Gross margin improved by 0.2 percentage points on a like-for-like basis, aided by continued progress on management initiatives on pricing and product mix. We launched a new pricing tool in EMEA during the year and saw a strong acceleration in growth at RS PRO, aided by expansion of the product range. Regionally, the Americas saw the strongest improvement in gross margin with good progress on discount discipline and enhanced product mix offsetting a decline in gross margin in Asia Pacific. EMEA gross margin also saw a modest increase during the year.

Long term our aim remains to maintain stable, and where possible improve, gross margin to support our progress towards our aspiration of a mid-teen adjusted operating profit margin. Our new venture, OKdo, will incorporate our existing single-board computing (SBC) business, which today accounts for approximately 4% of Group revenue and is one of our lower gross margin product categories. With a sharper focus we can increase scale and improve mix in this high-growth area of the business, to drive improved gross margin and, in time, deliver a double-digit adjusted operating profit margin. Moving forward, we will disclose any impact of driving growth in OKdo on Group gross margin.

Operating costs

We continue to focus on increasing efficiency and simplification so we can convert a higher proportion of gross profit into operating profit.

During the year, total adjusted operating costs, which include regional costs and central costs (and exclude substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs), increased by 5.7% on a like-for-like basis, to £618.3 million (2018: £572.7 million). We saw a c. 2.3 percentage point impact from inflationary increases to overheads including wages. As such, this and the impact of higher variable costs driven by higher volumes accounted for approximately 60% of the like-for-like increase. The majority of the balance of the increase was driven by increased investment in digital, talent and innovation offset by the £4 million savings generated from the second phase of the performance improvement plan.

As revenue growth outpaced cost growth, our adjusted operating profit conversion ratio improved by 2.5 percentage points on a like-for-like basis, to 26.3% (2018: 23.6%). Adjusted operating costs as a percentage of revenue fell by 0.8 percentage points to 32.8% (2018: 33.6%).

Substantial reorganisation costs

The Group incurred substantial reorganisation costs of £13.1 million (2018: £4.5 million), which primarily related to labour-related restructuring costs.

Amortisation of acquired intangibles

Amortisation of acquired intangibles was £4.4 million (2018: £nil) and relates to the intangible assets arising on the acquisitions of IESA and Monition.

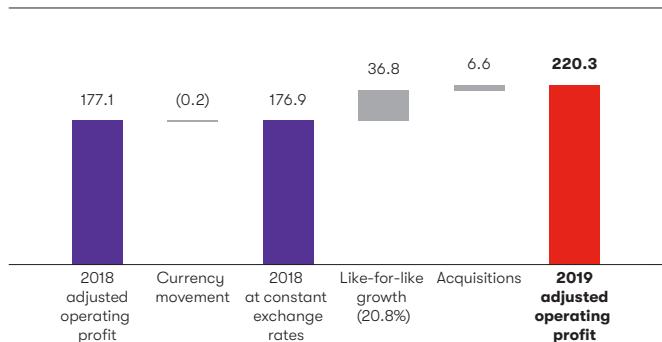
One-off pension costs

On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that guaranteed minimum pensions (GMP) must be equalised between members of different sexes. No assumption for GMP equalisation had been included in the valuation of the Group's UK defined benefit obligations historically. This increases the Group's retirement benefit obligations by £1.8 million which has been recognised as a past service cost in 2019 and included in one-off pension costs.

Operating profit

Operating profit rose 16.5% to £201.0 million (2018: £172.6 million). Excluding substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs, adjusted operating profit increased by 24.4% to £220.3 million. Excluding acquisitions and currency movements, like-for-like growth in adjusted operating profit was 20.8%. Adjusted operating profit margin rose by 1.3 percentage points, 1.1 percentage points on a like-for-like basis, to 11.7% (2018: 10.4%).

Like-for-like operating profit movement (£m)



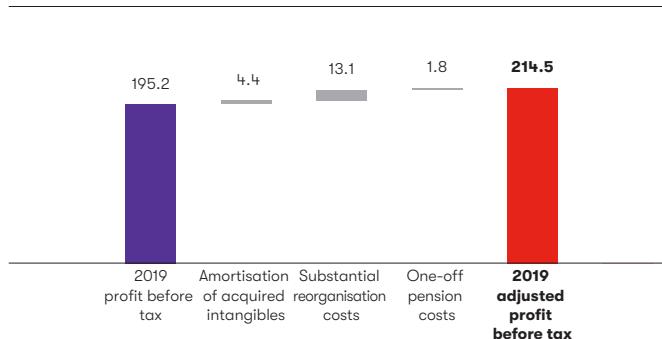
Net finance costs

Net finance costs increased to £6.1 million (2018: £4.0 million) primarily reflecting the increase in net debt due to the acquisitions.

Profit before tax

Profit before tax was up 15.8% to £195.2 million (2018: £168.6 million). Excluding substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs, adjusted profit before tax was up 23.9%, 20.8% on a like-for-like basis to £214.5 million (2018: £173.1 million).

Adjusted profit before tax reconciliation (£m)



Taxation

The Group's tax charge was £47.1 million (2018: £19.0 million) which benefited from a non-cash tax credit of £27.9 million due to the recalculations of deferred tax balances as a result of the US Tax Cuts and Jobs Act. The adjusted tax charge, which excludes the impact of tax relief on substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs was £50.7 million (2018: £47.8 million), resulting in an effective tax rate of 24% on adjusted profit before tax (2018: 28%). The key reason for the decrease in the effective tax rate was the reduction in the US tax rate following the enactment of the US Tax Cuts and Jobs Act in December 2017.

Earnings per share

Earnings per share was down 1.5% to 33.4p (2018: 33.9p), which benefited from the non-cash deferred tax credit mentioned above). Excluding substantial reorganisation costs, one-off pension costs, amortisation of acquired intangibles, significant tax rate changes and associated income tax effects, adjusted earnings per share of 37.0p (2018: 28.4p) was up 30.3%, 26.8% on a like-for-like basis.

Cash flow

Cash generated from operations increased to £184.2 million (2018: £168.9 million) driven by strong growth in operating profit which more than offset continued inventory investment to support revenue growth.

Working capital as a percentage of revenue increased by 2.0 percentage points to 22.2% (2018: 20.2%), 0.8 percentage points of this increase related to acquisitions, with the balance related to investment in additional inventory as we expand our product range and improve our offer. As a result, inventory turn reduced to 2.7 times (2018: 2.9 times).

Net interest paid was higher at £6.1 million (2018: £4.2 million) due to the debt taken on to finance the acquisitions. Income tax paid rose to £50.8 million (2018: £37.8 million) mainly due to the increases in profit in 2018 and 2019 on which tax was paid in 2019.

Net capital expenditure was £50.8 million (2018: £24.2 million) as we initiated a £40 million two-year project to expand our distribution centre (DC) in the Americas during the year. As a result, capital expenditure was 1.8 times depreciation (2018: 1.0 times).

As a result, free cash flow was £76.5 million (2018: £102.7 million). Adjusted free cash flow was £84.5 million (2018: £105.1 million) and excludes a net cash outflow related to substantial reorganisation activities of £8.0 million (2018: £2.4 million), which largely relates to labour restructuring charges. Adjusted operating cash flow conversion, which is defined as adjusted free cash flow before income tax and net interest paid as a percentage of adjusted operating profit and is one of our eight key performance indicators (KPIs), was 64.2% (2018: 83.1%).

Looking forward to 2020 we expect income tax paid to increase by around £11 million as a result of the one-off impact of changes to the timing of UK tax payments, which mean we are required to pay half of 2019 income tax and all of 2020 income tax in 2020. Also in 2020 and 2021 we expect capital expenditure to increase to around £80 million or 2.7 times depreciation as we accelerate our initiatives to build a more efficient and scalable infrastructure. This investment will be focused in three key areas: 1) the completion of the Americas DC expansion project; 2) a new c. £60 million project to expand and automate our German DC, which will support future growth in EMEA; and 3) increased IT expenditure to transform our technology estate. This will include a project to introduce a new product information management system and document management system enabling us to scale our stocked and non-stocked range and upgrades to our technology infrastructure to allow us to deliver future change quicker and more cost effectively. We expect to generate medium-term returns on this investment that are broadly consistent with Group ROCE and well in excess of our Group cost of capital.

Summary cash flow

£m	2019	2018
Operating profit	201.0	172.6
Add back: depreciation and amortisation	31.9	25.8
EBITDA	232.9	198.4
Add back impairments and loss on disposal of non-current assets	2.3	1.7
Movement in working capital	(64.8)	(38.5)
Movement in provisions	5.9	1.9
Other	7.9	5.4
Cash generated from operations	184.2	168.9
Net interest paid	(6.1)	(4.2)
Income tax paid	(50.8)	(37.8)
Net cash from operating activities	127.3	126.9
Net capital expenditure	(50.8)	(24.2)
Free cash flow	76.5	102.7
Add back cash effect of adjustments ¹	8.0	2.4
Adjusted¹ free cash flow	84.5	105.1

1. Adjusted excludes the impact of substantial reorganisation cash flows.

Return on Capital Employed (ROCE)

Net assets at the end of the year were £589.3 million (2018: £482.5 million). ROCE, calculated using adjusted operating profit for the 12 months ended 31 March 2019 and year-end net assets excluding net debt and retirement benefit obligations, was 27.7% (2018: 28.6%).

Net debt

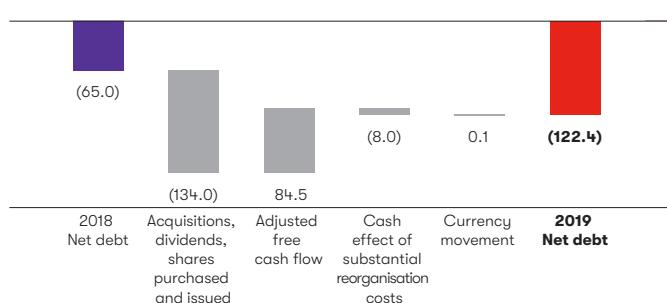
At 31 March 2019 net debt was £122.4 million. This was £57.4 million higher than at 31 March 2018. This increase was principally due to the acquisitions and associated loans, with adjusted free cash flow of £84.5 million more than offsetting the dividend payments of £58.9 million.

Net debt comprised gross borrowings of £253.4 million offset by cash and short-term deposits of £129.2 million and a cross currency interest rate swap with a fair value of £1.8 million.

In May 2018 the Group arranged a flexible two-year term loan, which is now £75 million, to run alongside its existing c. £186 million syndicated multi-currency bank facility which has a maturity of August 2022. These facilities, together with US\$100 million private placement loan notes maturing in June 2020, provide the majority of the Group's committed debt facilities and loans of £337 million, of which £161.8 million was undrawn as at 31 March 2019. The cross currency interest rate

swap has switched US\$20 million of the private placement loan notes from fixed dollar to fixed sterling, giving the Group an appropriate spread of financing maturities and currencies.

The Group's financial metrics remain strong, with net debt to adjusted EBITDA of 0.5x, leaving significant headroom for the Group's banking covenants.

Movement in net debt (£m)**Summary balance sheet**

£m	2019			2018		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Intangible assets	320.9	—	320.9	233.3	—	233.3
Property, plant and equipment	119.6	—	119.6	97.3	—	97.3
Investment in joint venture	0.9	—	0.9	0.8	—	0.8
Other non-current assets and liabilities	19.9	(63.3)	(43.4)	25.7	(60.6)	(34.9)
Current assets and liabilities	806.7	(409.4)	397.3	626.9	(303.5)	323.4
Capital employed	1,268.0	(472.7)	795.3	984.0	(364.1)	619.9
Retirement benefit obligations	—	(83.6)	(83.6)	—	(72.4)	(72.4)
Net cash / (debt)	131.0	(253.4)	(122.4)	123.4	(188.4)	(65.0)
Assets / (liabilities)	1,399.0	(809.7)	589.3	1,107.4	(624.9)	482.5

FINANCIAL REVIEW CONTINUED

Pension

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

The combined accounting deficit of the Group's defined benefit schemes at 31 March 2019 was £83.6 million; this compares to £66.1 million at 30 September 2018 and £72.4 million at 31 March 2018. The UK defined benefit scheme's deficit at 31 March 2019 was £69.4 million, which compares to £51.6 million at 30 September 2018 and £58.1 million at 31 March 2018.

The increase in the UK deficit at 31 March 2019 was principally driven by an increase in liabilities due to the discount rate reducing by 0.3% from 2.7% to 2.4% and the increase in inflation-linked assumptions.

The triennial funding valuation of the UK Scheme at 31 March 2016 showed a deficit of £60.8 million on a statutory technical provisions basis. A recovery plan is in place, which has been agreed with the trustees of the UK scheme and our deficit contributions will continue with the aim that the scheme is fully funded on a technical provisions basis by 2023.

Dividend

The Board proposes to increase the final dividend to 9.5p per share. This will be paid on 25 July 2019 to shareholders on the register on 14 June 2019. As a result, the total proposed dividend for the 2019 financial year will be 14.8p per share,

representing an increase of 11.7% over the 2018 full-year dividend and resulting in adjusted earnings dividend cover of 2.5 times. The increase in the dividend reflects the Board's confidence in the future prospects of the Group and the strong balance sheet.

The Board intends to pursue a progressive dividend policy whilst remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow. In the normal course, the interim dividend will be equivalent to approximately 40% of the full-year dividend of the previous year.

Foreign exchange risk

The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on the mix of non-sterling denominated revenue and adjusted operating profit, a one cent movement in the euro would impact annual adjusted profit before tax by £1.4 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £0.5 million.

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

Retirement benefit obligations

£m	2019			2018		
	UK	Other	Total	UK	Other	Total
Fair value of scheme assets	524.9	7.5	532.4	504.6	7.1	511.7
Funded defined benefit obligations	(594.3)	(7.2)	(601.5)	(562.7)	(7.3)	(570.0)
Status of funded schemes	(69.4)	0.3	(69.1)	(58.1)	(0.2)	(58.3)
Unfunded plans	–	(14.5)	(14.5)	–	(14.1)	(14.1)
Total net liabilities	(69.4)	(14.2)	(83.6)	(58.1)	(14.3)	(72.4)

NON-FINANCIAL INFORMATION STATEMENT

This section of the Strategic Report constitutes the Group's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference and some of the below policies can also be found on our website:

Requirement	Policies and standards	Further information
Environmental matters	<ul style="list-style-type: none"> Code of Conduct¹ Environment, Health & Safety and Sustainability Commitment and Policy 	<ul style="list-style-type: none"> Our environment pages 51 to 53
Employees	<ul style="list-style-type: none"> Code of Conduct¹ Environment, Health & Safety and Sustainability Commitment and Policy Gender Pay Gap Report¹ Diversity and Inclusion Policy¹ Employee Data Protection Policy Bullying and Harassment Policy 	<ul style="list-style-type: none"> Our strategic priorities – high-performance team page 20 Key performance indicators – All Accidents page 25 Risks, viability and going concern pages 38 to 43 Corporate responsibility page 46 Our community page 47 Our people pages 48 and 49 Our health and safety page 50 Corporate governance report page 66 Nomination Committee report page 77
Respect for human rights	<ul style="list-style-type: none"> Code of Conduct¹ Modern Slavery Act Transparency Statement¹ 	<ul style="list-style-type: none"> Corporate responsibility page 46
Social matters	<ul style="list-style-type: none"> Code of Conduct¹ Environment, Health & Safety and Sustainability Commitment and Policy 	<ul style="list-style-type: none"> Corporate responsibility pages 46 to 53
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> Code of Conduct¹ Anti-Bribery Policy¹ Group Marketing Campaigns Policy Group Competition Law Compliance Policy¹ Group Embargoes Policy Speak Up Policy (whistleblower)¹ 	<ul style="list-style-type: none"> Corporate responsibility page 46 Corporate governance report page 66 Audit Committee report pages 68 to 74
Principal risks		<ul style="list-style-type: none"> Risks, viability and going concern pages 38 to 43
Non-financial key performance indicators		<ul style="list-style-type: none"> Business model pages 8 and 9 Our strategic priorities pages 18 to 23 Key performance indicators pages 24 and 25 Corporate responsibility – key performance indicators pages 46 to 53

1. These policies and standards can be found on our website.

MANAGING OUR RISKS EFFECTIVELY

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

The risk management process

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

- **Identification**

Risks are identified through a variety of sources both external, to ensure that developing risk themes are considered, and from within the Group, including senior, regional and country management teams. The focus of the risk identification is on those risks which, if they occurred and became issues, would have a material quantitative or reputation impact on the Group.

- **Assessment**

Management identifies the controls for each risk and assesses (using consistent measures) the impact and likelihood of the risk occurring taking into account the effects of the existing controls (the resulting net or residual risk). This assessment is compared with the Group's risk appetite to determine whether further mitigating actions are required. This process is supplemented by an annual risk and controls assessment, which all operating locations and the Group-wide functions are required to complete.

- **Ownership**

The Group's principal risks are owned by the Group's Senior Management Team (SMT) with specific mitigating actions / controls owned by individual members of the team. The SMT collectively reviews the risk register, the controls and mitigating actions at specific Group risk review meetings held periodically throughout the year.

- **The Board**

The Board confirms it has undertaken a robust review of the Group's principal risks (including those that could threaten its business model, future performance, solvency or liquidity) and assessed them against the Group's risk appetite. For a number of the principal risks management will, as part of ongoing activities, update the Board on these risks and their management. This allows the Board to determine whether the actions taken by management are sufficient.

Risk appetite

In accordance with the UK Corporate Governance Code, the Board defined its risk appetite across three risk categories: strategic, operating and regulatory / compliance. These three categories use both quantitative and qualitative criteria. During the year ended 31 March 2019, the Board again reviewed its risk appetite across the three categories with some minor measurement changes reflecting the Group's increased size.

Principal risks and uncertainties

The Group has identified 10 principal risks, which are the same as those disclosed last year, with the only changes being the development of some already identified risks. These principal risks are:

Strategic risk category

1. Consequences on the organisation of the UK exit from the EU
2. Fail to respond to strategic market shifts e.g. changes in customer demands and / or competitor activity
3. The Group's revenue and profit growth initiatives are not successfully implemented

Regulatory / compliance risk category

4. Failure to comply with international and local legal / regulatory requirements

Operating risk category

5. Failure in supply chain infrastructure
6. Prolonged system outage
7. Information loss / cyber breach
8. UK defined benefit pension scheme cash requirements are in excess of cash available
9. People resources unable to support the existing and future growth of the business
10. Macroeconomic environment deteriorates

The UK exit from the EU

The principal risk which has been subject to most focus and activity in the Group during the financial year has been that associated with the UK's exit from the EU. The Group has undertaken a number of significant activities across many business areas to mitigate, insofar as is possible, any potential and negative, future effects of the UK leaving the EU. The planning and actions have involved considering various scenarios for the UK's exit. These scenarios include an agreed transition period to a different trading relationship between the UK and the EU or a more significant, and immediate, UK exit from the EU without a withdrawal agreement and to a World Trade Organisation (WTO) trading relationship (termed hard Brexit).

We judge the key risk to our business from the UK exiting the EU without a withdrawal agreement to be across four key areas. In each of these four areas we have undertaken mitigating actions to attempt to reduce the impact of these risks on the business.

1 Reduced free movement of products, goods and services across the UK / EU border

A restriction on the smooth passage of goods across the UK / EU border leading to disruption to customer service is a key risk.

- We have invested in £26 million of additional fast moving inventory across our European network to lessen any customer service impact from any potential delays at the UK / EU border.
- Measures are in place with our freight forwarders on our combined contingency plans in the event of a hard Brexit.

2 Increased tariff and duty costs on goods moving between the UK and EU

Following the UK's exit from the EU, goods moving between the UK and EU member states and potentially other areas of the world may be subject to additional tariff and duty costs. At this stage, before we know the detail of any exit deal and any reciprocal agreements, the exact impact of tariffs is difficult to assess. However, we believe the more notable area of risk is for goods sourced from the EU into the UK or where products are shipped from the UK to the EU.

- We have reviewed our current transport routes against individual product demand and will use our international distribution network to mitigate this risk, as best we can, to continue to offer our customers the market leading service they expect.
- We have reviewed the potential tariff impacts on our top selling product lines to optimise product sourcing to mitigate any incremental duty impact. Where this is not possible we will look to pass on tariffs and duties in the form of price increases.

3 Increased administration to process the required cross border data flows

We anticipate increased requirements for data collection as shipments move across the UK / EU border. More information may be required for customs declarations and import / export forms for each consignment shipped into the EU. We could also be required to make additional payments for customs clearance charges for goods moving across the UK / EU border.

- We have invested in IT systems to automate the customs declaration process.
- We have reviewed our current people resources to support our existing skilled export teams as required.

4 Material movement in the value of sterling impacting the price of goods

Sterling could depreciate materially in the event of the UK leaving the EU on 31 October 2019 with no transition deal in place.

- To hedge against transactional foreign exchange risk we currently maintain three to seven months of cover against freely tradeable currencies to smooth the impact of fluctuations in currency. We will maintain our existing hedging strategy to mitigate against any immediate devaluation in sterling.
- Our global trading mix and product sourcing arrangements mean that historically we have had a natural gross margin hedge against a depreciation in sterling at a Group level.

Summary of the Group's principal risks

The Group's principal risks are categorised under one of three categories: strategic (see the Group's strategic priorities on page 18), regulatory / compliance and operating risks (see the business model on pages 8 and 9). These categories mirror those used by the Group to assess its risk appetite.

Risk description	RISK DIRECTION DEFINITION	▲	▼	▼
		The risk is likely to increase within the next 12 months	The risk is likely to remain stable within the next 12 months	The risk is likely to reduce within the next 12 months
Strategic risk category				
1 Consequences on the organisation of the UK exit from the EU This includes the risk to the Group's supply chain activities across the UK and the EU including possible changes to customs duties and tariffs (a significant proportion of our Group cost of goods flows through the UK to serve our global customer base). Other related risks include migration of employees and potential impact with changes to existing legislation.	– Implications and timings unclear and dependent on ongoing national negotiations with possible effects from late calendar year 2019 onwards	<ul style="list-style-type: none"> A Group risk assessment before the UK referendum led to reviews across business areas that would be affected by a UK withdrawal. These reviews included: understanding the potential impacts on the Group's global supply chain infrastructure, including the transport of products between the UK and EU; and Group purchasing arrangements both within and outside the EU. Other notable areas include: employee mobility, effects on the Group's transactional IT systems and treasury management and indirect taxation. A specific team headed by the Chief Financial Officer (CFO) with senior representatives from across the business, have met regularly throughout the year. These meetings involve the team being updated on the possible effects given the UK's negotiations with the EU, current progress on mitigating activities and to decide and agree on further actions. 		
2 Fail to respond to strategic market shifts e.g. changes in customer demands and / or competitor activity Unforeseen changes in customer and market assumptions that the Group performance plans are based upon.	– No significant high-service level competitor changes anticipated	<ul style="list-style-type: none"> Monitoring of market developments. Ongoing strategic and market reviews by the Board and the SMT. Investment in digital platforms. Annual strategic planning process including the assessment of external market changes. Ongoing review of the competitive environment. Mergers and acquisitions (M&A) governance structure with internal and external capability and support. 		
3 The Group's revenue and profit growth initiatives are not successfully implemented This risk could lead to lower than forecast financial performance both in terms of revenue growth and cost savings with changes required to Group plans and any post-acquisition integration activities.	– Current, second phase of the Performance Improvement Plan is using similar Group and regional governance processes as were successfully used in the first phase	<ul style="list-style-type: none"> Prioritised set of proposals and projects, including revenue growth initiatives and supporting activities across shared business services and supply chain infrastructure, focused on getting the basics right for customers. Governance structure with accountabilities designed to support delivery on time and to cost, within resources and capabilities. Identification, assessment and management of the consequences of changes arising from plan initiatives. Specific and tailored post-acquisition integration plans. 		
Regulatory / compliance risk category				
4 Failure to comply with international and local legal / regulatory requirements Failure to manage these collective risks adequately could lead to: <ul style="list-style-type: none"> Death or serious injury of an employee or third party, and / or Penalties for non-compliance in health and safety or other compliance areas 	– No significant changes to new or existing legislation	<ul style="list-style-type: none"> Employment of internal specialist expertise, supported, where needed, by suitably qualified / experienced external partners for example to provide relevant EU General Data Protection Regulation (GDPR) guidance. Ongoing reviews of relevant national and international compliance requirements. Training and awareness programmes in place focusing on anti-bribery, competition and data protection legislation. Global whistleblowing hotline managed by an independent third party providing employees with a process to raise non-compliance issues. Global Health and Safety policy, Target Zero accidents initiative. Local health and safety forums in place with the VP of Global Environment, Health and Safety. Real-time monitoring of customer orders to ensure compliance with international trade control regulations. 		

Risk description	Risk direction	Mitigating activities
Operating risk category		
5 Failure in supply chain infrastructure An unplanned event disrupting the Group's supply chain, impacting its ability to maintain customer service.	No significant changes to the Group's supply chain infrastructure	<ul style="list-style-type: none"> Business continuity plans at operating locations. Regular tests at key distribution centres (DC), sales and back office locations.
6 Prolonged system outage The loss of a core transactional system resulting in the business being unable to serve customers.	No significant changes to the Group's IT infrastructure	<ul style="list-style-type: none"> Resilient IT systems infrastructure featuring operating redundancies and off-site disaster recovery. Regular testing of the IT disaster recovery plans across the Group. Strict control over upgrades to core transaction systems and other applications. Core transaction systems managed from a data centre upgraded three years ago.
7 Information loss / cyber breach An attack on the Group's systems / data could lead to potential loss of confidential information and disrupt the Group's transactions with customers (including the transactional website) and transactions with suppliers.	Increasing frequency and sophistication of cyber attacks on businesses	<ul style="list-style-type: none"> Chief Information Security Officer role manages the Group's information security requirements. Employee training on cyber risk awareness and mitigating actions. Anti-virus software to protect business PCs and laptops. Procedures to update supplier security patches to servers and clients. External emails identified as such to all business recipients. Software scanning of incoming emails for known viruses. Firewalls to protect against malicious attempts to penetrate the business IT environment. IT control reviews to consider the security implications of IT changes. Security reviews with selected third-party vendors. Computer emergency readiness team (CERT) to track software vulnerabilities.
8 UK defined benefit pension scheme cash requirements are in excess of cash available The Company is required to contribute increased cash sums to the UK defined benefit pension scheme.	No significant changes to related financial and other assumptions anticipated	<ul style="list-style-type: none"> Quarterly reviews of the pension scheme funding position. Regular interaction with the pension scheme trustees. Joint trustee / Company working group to review investment strategy. Consultation with scheme members on future individual funding options for defined benefit scheme.
9 People resources unable to support the existing and future growth of the business The business is not able to attract and retain the necessary high-performing employees to ensure that the business achieves its targeted performance.	No significant changes to the supply and retention of quality employees	<ul style="list-style-type: none"> Development of existing employee competencies and the introduction of external expertise where appropriate. Annual employee appraisal processes to align personal objectives with the Group's strategy.
10 Macroeconomic environment deteriorates The Group's revenue, and hence profit, are adversely affected by any decline in the global macroeconomic environment with other associated effects such as foreign exchange volatility.	Possible wider effects of ongoing US-China trade dispute with some economic indicators forecasting a slowdown	<ul style="list-style-type: none"> Strong cash generative business. Strong balance sheet. Significant headroom maintained on banking covenants and facilities. Relevant foreign exchange cash flow hedging for business trading purposes. Cost management and control of inventory.

Viability statement

Assessment of prospects

The Group's long-term prospects are assessed primarily through its strategic and financial planning process. This includes the preparation of a five-year strategic plan and a detailed annual target setting process involving both Group and regional management. These are updated annually and are reviewed and approved by the Board. Progress against targets, together with regular forecast updates, is reviewed monthly by both our SMT and the Board. The Group's strategic priorities are focused on delivering sustainable growth and superior returns for all our stakeholders and includes a number of initiatives. They are discussed in more detail on pages 18 to 23.

Our business model, as described on pages 8 and 9, is structured so that the Group is not reliant on one particular group of customers or geography, and has a very diverse customer base across our several geographies. It is also structured so that the Group has a broad range of products and high inventory availability with products sourced from a large number of suppliers.

Our capital position is supported by regular reviews of the Group's funding facilities and banking covenants' headroom, through the Board's Treasury Committee. The Group's financial position, in particular cash flow, is also reviewed through monthly management accounts and regular updates to the Board from the CFO and Chief Executive Officer. Details of the Group's sources of finance are outlined on page 136 with the earliest facilities expiring being the Group's term loan of £75 million in May 2020 and the private placement loan notes of US\$100 million in June 2020.

The Board also considers the long-term prospects of the Group as part of its regular monitoring and review of risk management and internal control system, as described on page 66.

Viability assessment period

In their assessment of viability, the Directors have reviewed the assessment period and have determined that a three-year period to 31 March 2022 continues to be most appropriate. The robustness of the strategic plan is significantly higher in the first three years with the final two years being a high level extrapolation. The Group has few contracts with either customers or suppliers extending beyond three years and, in the main, contracts are for one year or less. The business operates with a minimal forward order book, generally taking orders and shipping them on the same day. In addition as more business moves online and we become more agile, speed of change increases and so visibility is relatively short term. Of our long-term obligations, the UK pension plan is the largest and its triennial funding valuation forms the basis of our agreeing its funding with the trustee.

Assessment of viability

Each of the Group's principal risks and uncertainties on pages 40 and 41 has a potential impact on the Group's viability and so the Directors determined an appropriately severe but plausible stress test for each. They decided which stress tests would have the most impact on the viability of the Group and developed appropriate scenarios to model for these.

The strategic plan reflects the Directors' best estimate of the future prospects of the Group. Therefore, in order to assess the viability of the Group, the scenarios were modelled by overlaying them onto the plan to quantify the potential impact of one or more of them crystallising over the assessment period.

The scenarios modelled and how they link to the principal risks and uncertainties are summarised on the next page.

Principal risks and uncertainties which have the most impact on the viability of the Group and scenarios modelled

Scenario modelled	Link to principal risks and uncertainties
Scenario 1: Brexit Revenue and operating profit margin fall with weaker demand; foreign exchange rates move back to pre-Brexit levels.	1 Consequences on the organisation of the UK exit from the EU
Scenario 2: Revenue down Revenue falls significantly and takes time to recover.	2 Fail to respond to strategic market shifts e.g. changes in customer demands and / or competitor activity 3 The Group's revenue and profit growth initiatives are not successfully implemented 4 Failure to comply with international and local legal / regulatory requirements 10 Macroeconomic environment deteriorates
Scenario 3: Revenue down and lower operating profit margin Scenario 2 plus operating profit margin further declines.	2 Fail to respond to strategic market shifts e.g. changes in customer demands and / or competitor activity 3 The Group's revenue and profit growth initiatives are not successfully implemented 4 Failure to comply with international and local legal / regulatory requirements 10 Macroeconomic environment deteriorates
Scenario 4: Significant site failure Major incident at the largest DC which destroys the building and its contents.	5 Failure in supply chain infrastructure
Scenario 5: Major system failure Major system failure (possibly caused by a cyber attack) leading to a serious loss of service, fines for data breach and loss of reputation leading to halving of sales growth.	6 Prolonged system outage 7 Information loss / cyber breach

The severe and plausible stress tests for the principal risks and uncertainties **8** ‘UK defined benefit pension scheme cash requirements are in excess of cash available’ and **9** ‘People resources unable to support the existing and future growth of the business’ were assessed to have less impact on the Group’s viability.

In performing the above tests it was assumed that no major reorganisations or significant working capital initiatives occur in mitigation, the stated dividend policy is not changed, capital expenditure is unchanged from that in the strategic plan and debt facilities are refinanced as they mature.

The results of the above stress tests showed the Group would be able to withstand the impact of these scenarios occurring. A reverse stress test was also undertaken to assess the circumstances that would threaten the Group’s current financing arrangements and the Directors consider the risk of these circumstances occurring to be remote.

The above scenarios are hypothetical and extremely severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate any such occurrences from taking place. If any of these scenarios actually happened, various options are available to the Group to maintain liquidity so as to continue in operation.

Confirmation of viability

Based on the assessment outlined above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three years to 31 March 2022.

Going concern

The Directors also believe that it is appropriate to continue to adopt the going concern basis in preparing the Group’s accounts.

MAKING **MORE** POSSIBLE FOR OUR COMMUNITIES

Our STEM Ambassador programme has expanded significantly during the year and we now have 150 STEM Ambassadors.

STRATEGIC PRIORITY **HIGH-PERFORMANCE TEAM**

We have initiated and engaged with numerous activities, resulting in tangible and measurable successes, including:

- 35,000 under 18s boarded the RS Titan II innovation truck this year, engaging with the many technologies showcased
- 47,000 young people engaged with RS and its educational partners throughout 2019, both through events involving Titan II and other partner projects including the Rube Goldberg machine build with Kids Invent Stuff, a #GirlsWithDrills interactive workshop and FIRST® LEGO® League
- An increase in science, technology, engineering and mathematics (STEM) ambassadors – from 40 to 150 over the year





CASE STUDY STEM Ambassador programme

We've been encouraging our employees to engage in STEM activities both internally and with external organisations, and we give them flexibility to do this alongside their work commitments.

Our STEM Ambassadors offer their time and enthusiasm to help bring STEM subjects to life and demonstrate the value of them in the workplace. They can also provide an important free-of-charge resource for teachers, engaging with young people inside the classroom.

Our aim is to inspire the next generation of engineers through a programme of dedicated activities such as: supporting the FIRST® LEGO® League; participating in coding events; and taking our innovation trucks to schools, universities and educational trade shows.

"We are particularly focused on engaging with girls who have previously been deterred by out-of-date perceptions of a career in engineering. Education professionals should be assisted with support, resources and skills to help them deliver meaningful activities which can link STEM subjects with the wide variety of roles that will be available in the future."

JAMES HOWARTH
RS HEAD OF EDUCATION STRATEGY
EMEA

CREATING BETTER FUTURES

People, profit and planet are all critical to the success and sustainable development of Electrocomponents.

By extending our focus beyond profitability and applying greater consideration to people and planet, we are taking a long-term strategic view of sustainability. Corporate responsibility (CR) is an integral part of our business and we aim to align our values and strategy with responsible and ethical business practices across the Group.

Our contribution to society at large is increasingly important to our internal and external stakeholders, including customers, suppliers and shareholders as well as current and future employees. Our reputation is of great value to us and we are therefore committed to improving our CR credentials.

We measure and report under four CR pillars, namely our community, our people, our health and safety and our environment. We use key performance indicators (KPIs) to measure and report the contribution and impact we are having. Our CR pillars are underpinned by a set of robust business practices, which drive accountability, transparency and compliance, positively influencing our people and supply chain to meet the high ethical standards we have set.

Code of Conduct and anti-bribery

The Electrocomponents Code of Conduct, which includes our anti-bribery principles, sets out the standards of behaviour to which our people are expected to work. It is updated every year and made available in seven languages on the Electrocomponents website. Annually, every senior leader and people manager globally is required to review and sign up to the Code of Conduct and to have management briefings with their teams. To further embed it this year, we have carried out face-to-face training in Asia Pacific, the Americas and EMEA, including IESA and Monition.

Human rights

We are committed to conducting our business in a way that is socially responsible. The human rights of every employee are respected and our people are treated with dignity and



consideration. We recognise freedom of association by allowing employees to establish and join organisations of their own choosing without needing permission. As a global business, we also recognise collective bargaining where required by local country laws.

We give fair consideration to applications for employment from those that are disabled as well as to their training, career development and promotion. Where appropriate, facilities are adapted and retraining offered to any employee developing a disability whilst employed. We comply with relevant employment legislation and regulatory obligations.

We will not allow any form of slavery, human trafficking or child labour to take place in any part of our business. Our policy is to source products and services from organisations that meet, or are willing to take action to meet, our ethical standards. We do not engage with organisations which use child labour or forced labour. Our Modern Slavery Act Transparency Statement is published annually on our corporate website.

Whistleblower policy

In line with our whistleblower policy, Speak Up, we seek to promote an open and accountable culture where employees can express concerns without fear of victimisation. An independent third party operates the reporting tools, except in Germany where an in-house alternative is available. We promote the Speak Up facility to our employees through training and awareness campaigns (see page 74).



CASE STUDY

Supporting wellbeing across the business

Target Zero now includes a greater focus on wellbeing. This year we ran a mental health awareness campaign to coincide with World Mental Health day on 10 October 2018. The campaign was delivered across the Group and included stories from markets worldwide. Going forward, we plan to have an awareness day for our employees every year in support of mental health.

PEOPLE

Our community

Our Group approach to community engagement is to encourage our people to contribute to the communities in which we operate, thereby enhancing our reputation locally as an ethical and responsible employer. This year an overarching drive to inspire the next generation of engineers has been adopted across the business, through: encouraging schoolchildren to choose science, technology, engineering and mathematics (STEM) subjects; supporting students at university level; raising awareness of career opportunities in the field of engineering; and celebrating the most talented young electronics engineers through the EW BrightSparks programme.

RS is the headline sponsor of the Institution of Engineering and Technology's (IET) FIRST® LEGO® League INTO ORBIT 2018/19 competition in the UK and Ireland. Globally, the competition attracts 35,000 teams in 90 countries, challenging 6 to 16 year olds to solve real-world problems with the help of a robot. Teams of up to 10 students, supported by an adult mentor, are required to demonstrate skills in robotics, computer programming, teamwork, research, problem solving and communication; this year space exploration was the theme. In the next FIRST® LEGO® League season, RS will sponsor the competition in the UK and Ireland, and also in Germany.

Our STEM education strategy has delivered some notable results over the year (see page 44 and 45). Central to this programme is our mobile innovation truck, Titan II, which has attended 45 STEM education events and welcomed 35,000 under 18s across the year to view and interact with the technology on board. We have now introduced a second innovation truck, MAX, to travel across Continental Europe to continue our aim to inspire young people towards a career in engineering.

Across the business, we are building partnerships with local schools to support their STEM programmes. In the Americas, the Allied team is working with a local school, Fort Worth Christian in Texas, to expand the robotics programme for schoolchildren aged 5 to 16. In addition to providing parts and teaching the students how to use them, the team has also met regularly with the after-school robotics class to answer questions on technology and provide real-life examples of applications.



Participants at the FIRST® LEGO® League INTO ORBIT 2018/19 competition

DesignSpark is being piloted in the IT syllabus of around 1,000 primary schools in Jiangsu and Hebei, two large provinces in China. Children aged 10 to 12 are learning about 3D design and printing using DesignSpark Mechanical software, which features in their IT text books. So far, the pilot has been a great success and has the potential for inclusion in the syllabus nationwide from next year. The DesignSpark Mechanical software is considered very user friendly and more than 1,600 teachers are discussing its merits online.

Our collaboration with universities continues to grow and now stands at over 60 worldwide. We continue to support 22 university teams in the annual Formula Student racing car engineering competition and we aim to expand this support to other markets outside of the UK during the coming year.

For the second consecutive year, we are supporting the Colorado State University's (CSU) participation in the 2019 NASA Robotics Mining Competition. Also for a second year, we are sponsoring the University of Edinburgh's HYPED team, which is competing in the SpaceX Hyperloop Pod Competition in California in July 2019. Furthermore, we are sponsoring the Technical University of Munich's (TUM) Hyperloop team, which is developing an electric car to compete in the Shell Eco-marathon, a worldwide energy efficiency competition.

Key performance indicators

What we measure	Performance	What we have done	What we will do in 2020
Number of STEM Ambassadors	150	We have increased the number of STEM Ambassadors in the UK from 40 to 150 over the year. We encourage them to support internally and externally organised STEM activities.	We will increase the number of STEM Ambassadors in the UK and other markets. We will also encourage and enable our people in other regions to support educational outreach activities.
Total charitable donations (including fundraising by our people)	c. £250,000	Charitable donations are made in many markets worldwide. RS UK raised a significant percentage where employees have dedicated their time fundraising for Children with Cancer.	We will hold our biggest ever fundraising event in June 2019 when our people will cycle 1,100 miles across the UK in aid of Children with Cancer, stopping at our operations and offices across the country.

Our people

Developing a high-performance team is one of the Group's five strategic priorities and is critical to the success of our business and our ambition to become first choice. People are fundamental to this and we are investing in and improving our ability to attract, develop and retain talent.

Building the right culture

Our global employee engagement survey, My Voice, was conducted in March 2019 and completed by 82% of our employees, which was a 3% increase on the March 2018 survey. Encouragingly, employee engagement has remained stable at 71%, which is positive as the business has been through a period of regional transformation. The survey results have identified areas for improvement which will be addressed during the year through agreed action plans in each region.

Our aim is to increase employee engagement rates and scores by building a global culture based on our ways of working: passion, integrity, innovation, collaboration, accountability and aspiration. Our new regional structure has driven a culture of greater accountability and collaboration, and innovation which is becoming more of an embedded mindset across the business. Our employee reward programme encourages our people to demonstrate these ways of working and to recognise others that do so.

Our internal communications programme is essential to employee engagement. This year, we have introduced tools such as Microsoft Yammer to increase the effectiveness of communication. Our people have welcomed this and are sharing content energetically. Our Senior Management Team (SMT) has also been highly visible during the year, attending trade shows, hosting office town hall forums and visiting operations worldwide.

Evolving diversity and inclusion

We want our people to feel they can give their best in a culture where their views, opinions and talents are valued and respected. We acknowledge that we are on a journey to ensure we build an organisation that is diverse and truly inclusive. We are building a foundation upon which we can grow and where diversity and inclusion become innate in our behaviours and culture. The Group's Diversity and Inclusion Policy is available on our website.



Our second Gender Pay Gap report, based on data as at 5 April 2018, was published on the Electrocomponents website in April 2019. Whilst we have a gender-balanced workforce of men and women in the UK, we do have a gender pay gap. The gap is driven by two key factors: firstly, the majority of senior leaders in our business are men; secondly, the men are mostly concentrated in functions and disciplines which attract premiums in the market such as IT.

We have an action plan to help us reduce our gender pay gap but recognise that this will take a number of years given we will continue to recruit and promote based on merit. Having implemented some of the actions, we plan to do more around external recruitment, internal mobility, growth of employee-led networks, talent identification and their succession, along with progression of our pipeline talent. Additionally, we have hired a new Group Head of Diversity, Inclusion and Engagement who will support and drive this strategy over the coming years.

We have recently appointed Bessie Lee as a Non-Executive Director to our Board, which increases both our gender and international diversity and brings the number of women on our Board to three. In April 2019, we announced that from 1 June Debbie Bowring will become President of IESA and a member of our SMT. We continue to challenge ourselves when recruiting for these senior roles to ensure we have a truly diverse pool of candidates who represent the businesses and regions in which we operate.

Key performance indicators

What we measure	Performance	What we have done	What we will do in 2020
Employee engagement survey score	71%	Our March 2019 survey, My Voice, resulted in our employee engagement score remaining stable at 71%. We have identified areas for improvement.	We will address the areas for improvement through agreed action plans with the aim of increasing our employee engagement score.
Gender diversity on management team	Female: 25 Male: 72	We have implemented a number of initiatives to improve gender diversity such as changing our external recruitment approach.	We will put in place actions around internal mobility, further growth of employee-led networks, talent identification and succession planning.

We launched a campaign on 23 June 2018 to celebrate Women in Engineering by shining a spotlight on some inspiring female engineers. The campaign went viral and generated over 500,000 views in the first two days.

Our employee-led networks are actively working to create communities and to be a voice of all employees, either as an identified member or ally. Our women's network has become a popular and empowering force in the UK and plans are underway to introduce women's communities in other markets. Spectrum, our lesbian, gay, bisexual, transgender, questioning (LGBTQ+) employee-led network launched in January 2019 and continues to grow and support employees, building awareness and understanding across our business.

Creating a pipeline for future talent

In 2019, we launched a new RS Careers website to attract top talent. Aligned to this, we have taken the opportunity to look at the way we position ourselves to ensure our recruitment is inclusive and attracts a broad pool of talent.

Our collaboration with universities and colleges is vital for attracting talent to the business. We are now developing a global internship programme and the first students will join us from Texas A&M University for summer internships in the UK beginning in May 2019 (see page 20).

IESA has strong graduate and apprenticeship programmes. The first apprentices have been retained within IESA to continue their growth and development. RS is also developing an apprenticeship scheme, which is providing training for existing employees of any age and at any level up to master's degree.

In August 2018 RS UK joined the 5% Club, a kite mark for UK employers wishing to achieve within five years 5% of their workforce in earn and learn positions – apprenticeships, sponsored students and graduates on formal training schemes.

In Texas, Allied held an on-site job fair to fill positions in its distribution centre. Over 100 applicants attended and nine men and eight women were offered positions. In addition, Allied hosted a local careers day with Communities in Schools of Greater Tarrant County, an organisation helping socially disadvantaged students stay in school. The day involved bringing in four female and four male students and showcasing what a career at Allied might look like.

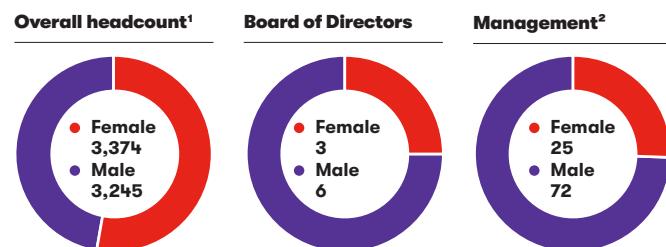
Investing in our employees

Our aim is to build a globally diverse pool of talent which is results oriented and customer centric, so that employees of all levels feel valued, respected and encouraged to grow. One of the ways we help our people develop is through continuous improvement (CI). This year, more than 160 employees have been trained or given additional training, bringing the total to over 600 employees who have been trained in CI methodologies.

Training and development in our Allied operation have included a variety of leadership courses such as Management 101, which is open to all employees and provides practical hands-on experience and discussions around basic supervisory and management skills. A weekly Toastmasters Club has helped employees improve their public speaking skills and grow their confidence with a regular group of 20 female and 10 male participants.

We want to see our best talent grow their leadership ability and develop their career in the Group so we have created a new Future Shapers programme. Nine early-career employees representing each region will participate in a year-long experience that includes learning, personal development, stretch projects, exposure to different business areas, external courses and other elements.

Training has also taken place to improve capabilities in electronics, digital, technical support, sales effectiveness and management training. This year in France we launched a management programme, Passeport Manager, which has resulted in managers feeling more comfortable with their leadership role and able to coach their teams in a more productive way. To date, 80 managers have been trained and the programme is now part of the induction process.



1. Permanent and temporary employees at 31 March 2019.

2. Individuals who operate at a senior level in the Group and typically, though not exclusively, are the SMT and their direct reports.



CASE STUDY

Celebrating International Women's Day

We celebrated International Women's Day on 8 March 2019 by hosting events in our distribution centres and offices across the globe. Guest speakers, discussion forums, webinars and training workshops took place throughout the business plus women and men shared their views and opinions about diversity on Microsoft Yammer.

Our health and safety

Respecting and safeguarding our people and others affected by our operations is critical for the success of Electrocomponents worldwide. As a Group, we are working towards Target Zero on the basis that all incidents are preventable.

Health and safety performance

During 2019 the number of people working across the Group increased significantly due to acquisitions and business growth but we still achieved a reduction in the All Accident rate.

Key updates for the year include:

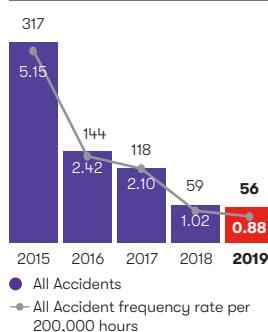
- The All Accident frequency rate was down by 14% to 0.88 per 200,000 hours worked (2018: 1.02). A total of 56 accidents were reported in the year, including lost time accidents (LTAs) and first-aid only accidents.
- The LTA frequency rate was down by 5% to 0.20 per 200,000 hours worked (2018: 0.21). A total of 13 LTAs were reported in the year (2018: 12).
- A total of 251 calendar days were lost across the business with an average of 19.3 calendar days lost per LTA, in line with the 19.5 calendar days lost per LTA in 2018.
- A total of 10,100 near misses were reported, an average of over 1.5 reports per head¹, up 12% on 2018.
- The Target Zero programme was relaunched during the year to include wellbeing and environment.
- In the UK, RS was awarded a second RoSPA Gold Medal. This was due to having achieved six consecutive RoSPA Gold Awards in recognition of safety performance, occupational health and safety management and culture, control of risk and very low levels of error, harm and loss.

Health and safety initiatives

Across the business we continue to invest in the safety and wellbeing of our employees and others. This includes CI initiatives, many of which originate from suggestions for improvements made by our people. We also run campaigns on a global basis as part of proactive safety management and during this year these have included:

- Near-miss reporting:** We promoted near-miss reporting on a consistent basis globally to help prevent accidents before they occur. Managers are encouraged to educate their teams about safety, including hazards, unsafe acts and unsafe conditions.
- Fire safety:** We have been raising awareness of fire hazards in the workplace, at home, in vehicles and outdoors.

All Accident performance



- Safe driving:** We have been promoting safe driving in varying conditions as well as ergonomic driving positions and vehicle checks.
- Ergonomics:** This campaign covered work station and job set up, including lifting and carrying. It focused on reducing manual handling injuries as well as addressing eye strain, headaches, wrist and hand pain for computer users. We also provided on-site physiotherapists and bespoke manual handling training videos in some markets.
- Causal reviews:** These reviews have provided deep analysis of accident categories and rollout of prevention measures. For example, a review of cuts led to the introduction of mandatory gloves for certain tasks, helping to reduce accident numbers.

2020 priorities for health and safety

- We will launch a behavioural safety training programme, which will include face-to-face training, e-learning and facilitated webinars. Training materials will include videos filmed in different locations across our business. Employees worldwide will have the opportunity to participate in the programme.
- We will reinforce the mental health initiative commenced during 2019 with emphasis on overall wellbeing and avoiding accident situations.
- We will review near-miss reporting and follow-up processes to accelerate potential lessons learnt and communicate these more widely across the Group.
- We will review opportunities to further harness technology to help reduce health and safety risks and, where possible, enhance productivity.

1. Full-time equivalent employees, agency and contract workers.

Key performance indicators

What we measure	Performance	What we have done	What we will do in 2020
All Accident frequency	-14%	We relaunched Target Zero so it now includes wellbeing and environment as well as health and safety.	We will develop and launch a behavioural safety programme with tailored modules to involve all employees worldwide.
Near-miss reporting rate	+12%	We promoted near-miss reporting on a global basis to help prevent accidents before they occur.	We will continue to promote near-miss reporting and accelerate lessons learnt, communicating them more widely across the Group.

PLANET

Our environment

As we work to embed the triple bottom line – people, profit, planet – across the business, it is becoming ever-more important to evaluate our environmental performance, and to conserve and make the most efficient use of the natural resources we consume.

We have Group policies, processes and systems in place to help manage our environmental performance, with multiple CI initiatives across the business which are enhancing operational efficiency and sustainability. These CI initiatives also involve collaboration with suppliers.

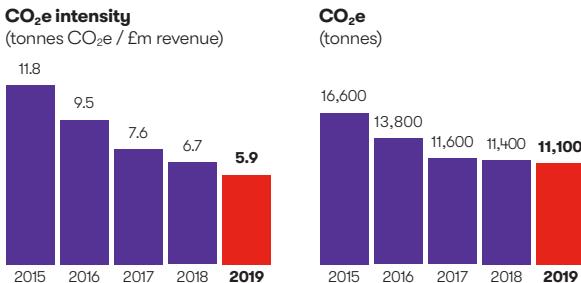
During the year we extended the Target Zero programme to include environmental matters, with the longer-term aspirational aim of zero net impact to the environment and the immediate focus on reducing energy consumption, zero waste to landfill and cutting CO₂ emissions.

We are planning to put in place a new sustainability index which includes environmental KPIs with targets and objectives to enhance performance, reduce CO₂ emissions per unit of output, reduce use of resources including water and packaging, and to minimise waste. We are also continuing to work with our suppliers to understand and reduce CO₂ emissions in the supply chain and plan to extend this work to engage with selected customers.

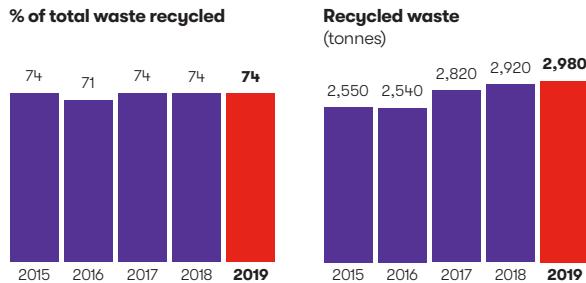
Environmental performance

The Group's key environmental impacts include energy use and related CO₂ emissions, waste and recycling, packaging use and water consumption.

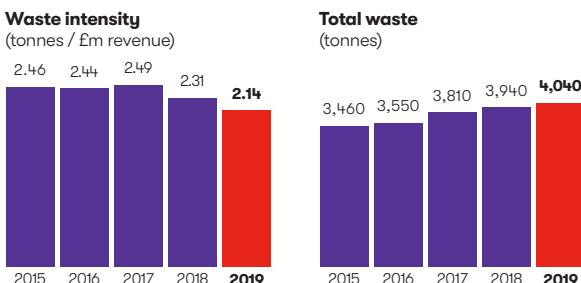
CO₂e due to premises energy use^{1,2,3,4}



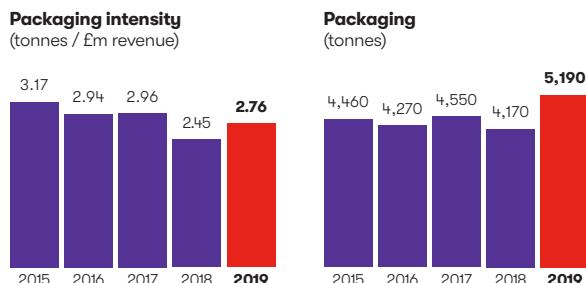
Total waste recycled^{1,2}



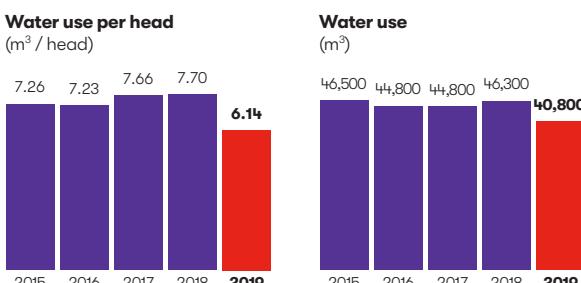
Total hazardous and non-hazardous waste^{1,2}



Packaging use¹



Total water use^{1,2,5,6}



1. KPIs are on a constant exchange rate basis and are updated to reflect changes in reporting methodology and emissions factors.
2. Excludes a number of smaller sites where energy, waste and water costs, and consumption are included in lease costs.
3. The statutory information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is set out on page 53.
4. CO₂ equivalent from all energy sources including country-specific CO₂ factors for electricity and with 100% renewable electricity reported at zero kg CO₂ per kWh. Prior years are restated with updated / current Scope 2 CO₂ factors each year.
5. Heads are full-time equivalent employees, agency workers and contractors.
6. Water use data for prior years updated to include amended supplier data for two sites.

CORPORATE RESPONSIBILITY: PLANET CONTINUED

During 2019 our environmental performance KPIs improved in all key areas apart from packaging. Total CO₂ emissions and water use also reduced although waste disposal was up in absolute terms, mainly due to business growth and acquisitions. Packaging consumption increased as detailed below.

We work to extend our Target Zero environmental programmes to acquired businesses as soon as possible, IESA and Monition are included here from the date when they joined the Group.

- CO₂ emissions intensity was down 11.9% to 5.9 tonnes per £ million revenue from 6.7 tonnes per £ million in 2018 and was 22.4% lower than in 2017.
- CO₂ emissions due to energy use in our premises reduced by 300 tonnes or 2.6% to 11,100 tonnes as a result of energy efficiency measures and the continued implementation of low-energy lighting and other CI projects.
- Waste intensity was down by 7.4% to 2.14 tonnes per £ million and was 14.1% lower than in 2017.
- In absolute terms, total waste was up by 2.5% to 4,040 tonnes. The increase was mainly due to business expansion but was lower than the rate of growth in revenue. This was achieved through multiple CI initiatives to reduce waste and through collaboration with suppliers to minimise inbound packaging.
- The proportion of total waste recycled was flat at 74%. The amount of recycled material increased at the same rate as total waste despite reductions in use of some more easily recycled materials. A number of major sites achieved or maintained zero waste to landfill during the year.
- Packaging use per £ million revenue increased by 12.7% to 2.76 tonnes per £ million revenue. The increase was due to inventory movements in preparation for the UK's exit from the EU, purchasing patterns and the trials of the Auto-pack process (see page 53).

- Water use per head was down by 20.3% to 6.14 m³ per head. This was 19.8% lower than in 2017 with the improvement resulting from employee awareness and multiple initiatives including the fixing of leaks and the fitting of water blade water-saving taps at certain sites.
- All our distribution centres (DC) worldwide have environmental management systems in place and, measured by revenue, over 50% of our operations are covered by ISO 14001 certifications.

Environmental initiatives

Employee engagement is key to our Target Zero programme and Earth Week in April 2018 was marked across the Group. All regions held activities to promote environmental initiatives and to generate employee suggestions for improvements. In China and the UK the focus was on reducing plastic usage and at multiple sites we worked on energy management initiatives. In the UK around 380 trees were planted, including 30 fruit trees at the Nuneaton DC, and other tree planting projects took place in Hong Kong and Australia.

Across the Group we continue to invest in operational efficiency and CI initiatives as part of our Target Zero environmental programme.

Energy saving initiatives include low-energy lighting and we are considering further locations for LED lighting projects. In addition, a number of our businesses use electricity from low-carbon and renewable sources and, as supply contracts are renewed, we are looking at opportunities to extend this.

The Group continues to work with our providers of third-party logistics to assess the CO₂ emissions due to our use of their services and those of their subcontractors. By using CO₂ emissions as a proxy for cost and efficiency, we can work with our customers and suppliers to reduce CO₂ emissions and thus the carbon footprint of the distribution supply chain.

Key performance indicators

What we measure	Performance	What we have done	What we will do in 2020
CO₂ emissions intensity	-11.9%	We have implemented CI and employee engagement initiatives to deliver energy and CO ₂ reductions across our offices and DCs.	We will review opportunities for low-carbon energy whilst maintaining focus on efficiency programmes and investments.
Waste intensity	-7.4%	We have collaborated with suppliers to optimise and reduce inbound packaging and have reduced our use of consumables.	We will implement further waste reduction initiatives internally and by working with suppliers. We will also review reporting of waste to help ensure consistency.
Recycling rate	Constant	We have reduced the use of easily recyclable consumables e.g. paper and cardboard. The remaining waste is less easy to recycle but we have maintained the proportion that is recycled.	We will maximise recycling opportunities through waste segregation, by working with suppliers and employee awareness and training.
Packaging intensity	+12.7%	Our packaging intensity increased during the year due to Auto-pack trials, purchasing patterns and inventory movements.	We will work across our network of DCs to normalise packaging use in 2020, to identify best practice and to maximise benefits from the Auto-pack trials.
Water use per head	-20.3%	We have implemented CI initiatives to reduce water use including identification and fixing of leaks and fitting of water blades to taps.	We will extend our water-saving programme to additional locations worldwide.

As reported previously, the data indicates that these emissions are approximately double the emissions due to the use of energy in the Group's premises worldwide.

2020 priorities for environmental performance

- We will include environmental targets and objectives within the Group's sustainability index, to cut CO₂ emissions per unit of output, reduce use of resources including water and packaging and to minimise waste.
- We will implement and roll out CI initiatives to reduce energy use with further low-energy lighting projects and through more proactive control of HVAC systems.
- We will decrease waste through our work with suppliers in reducing inbound packaging. We will also increase recycling with a focus on waste segregation through employee training and move towards our objective of zero waste to landfill.
- We will focus on packaging use following the higher levels in 2019. We will also further identify and implement best practice and leverage the benefits from the Auto-pack trials.
- We will identify further sites for water-saving opportunities.
- We will extend our initiatives on CO₂ emissions due to third party logistics to engage with customers where appropriate.

Task Force on Climate-related Financial Disclosures

We are continuing to work on the recommendations of the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) report. Work is ongoing on scenario planning and other areas but the Group's governance, strategy, risk management, metrics and targets are largely in line with or ahead of the recommendations.

Greenhouse gas (GHG) emissions disclosures

In addition to the CO₂e emissions due to premises energy use (see pages 51 and 52), the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires the Group to also report emissions due to the fuel used in company vehicles, fugitive emissions and other sources. The table below includes the material emission sources from the operations and activities covered by the Group's accounts.

	2019 tonnes CO ₂ e	2018 tonnes CO ₂ e
Emissions from combustion of fuels and operation of facilities:		
Combustion of fossil fuels ¹	4,679	4,876
Operation of facilities, including fugitive emissions ²	78	137
Electricity purchased for own consumption:		
Purchased electricity ³	8,164	8,344
Intensity measurement		
CO ₂ e due to premises energy use per £m revenue	5.9	6.7
Total GHGs per £m revenue	6.9	7.8

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

1. Includes emissions of 1,741 tonnes relating to fuel use in company vehicles (2018: 1,829 tonnes).
2. 78 tonnes of CO₂e due to fugitive emissions from air-conditioning systems (2018: 137 tonnes).
3. Electricity from renewable sources at zero CO₂e per kWh. Emissions increased by 1,260 tonnes at grid-average rates (2018: 1,208 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 CO₂e emissions included in this report.



CASE STUDY Auto-pack

We have installed Auto-pack, an automated packaging machine, at our DC in Nuneaton, UK. It uses two sizes of packaging to create customised boxes, according to the size and weight of the products being shipped. The machine alters the size of the box to ensure that the product is flush with the packaging. The boxes have a built-in tear strip and are heat sealed, removing the need for parcel tape. The key benefits of Auto-pack are:

- **25% reduction in parcel size / volume with associated reduction in freight requirements**
- **A 4 tonne reduction in infill packaging use**
- **Auto-pack boxes are 100% recyclable**

The Strategic Report was approved by the Board on 20 May 2019 and is signed on its behalf by:

Lindsley Ruth
Chief Executive Officer

David Egan
Chief Financial Officer

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

COMMITTED TO THE HIGHEST STANDARDS



2019 highlights

- Acquisition and integration of IESA and Monition
- Potential impacts and mitigation for both Brexit and the US-China trade dispute
- Board succession and pipeline

2020 priorities

- Application of the 2018 UK Corporate Governance Code
- Board engagement with employees
- An externally led Board evaluation

Dear fellow shareholder

On behalf of the Board, I am pleased to present our Corporate Governance Report for 2019.

The external political and governance landscape is forever changing. Our own focus remains to ensure that we maintain high and consistent standards of corporate governance as our business grows and develops.

This year we saw the introduction of the 2018 UK Corporate Governance Code (2018 Code). As the 2018 Code will only apply to financial years starting after January 2019, we will look to adopt it from 1 April 2019 and report against it in the 2020 Annual Report and Accounts. However, we have already engaged with our major shareholders to discuss their views and expectations of the 2018 Code and will continue to maintain this dialogue during the year ahead.

The Board's responsibility is both to ensure we continue to strengthen those aspects of our business where we can make a difference and to ensure the Company is able to cope with and adapt to external shocks. Both Brexit and the US-China trade dispute significantly affect the environment in which the business operates and the Board has overseen the detailed preparations management has made to protect, as far as we can, the impact of these on our customers, suppliers and employees.

Whilst the entire Board is responsible for our worldwide employees, in line with new governance practices we asked one of our Non-Executive Directors, Karen Guerra, to make time available to meet with employees around the world and listen to any areas of concern or ideas they may have. This journey has begun with Karen: hosting a Working for Women community meeting in London, UK; meeting our employees in Hong Kong and Shanghai, China via video conference; and visiting our operations in Sydney, Australia. We will report further in 2020 as this initiative continues its development.

Overview of the year

Following our acquisition of IESA in May 2018 and Monition in January 2019, the Board has been keen to ensure their smooth and effective integration into the Electrocomponents Group. As part of the second phase of the Performance Improvement Plan, attention turned to the successful launch of the centre of expertise in Foshan, China which I, along with our Executive Directors and Senior Management Team (SMT), visited in January 2019.

In November 2018, the Board attended electronica in Munich, Germany, the world's leading trade fair for the electronics industry, and met with a number of major suppliers. A two-day offsite session with the SMT was held in January 2019 to focus on strategy and customer relationships.

Board changes

In March 2019, we welcomed Bessie Lee to the Board. Bessie brings with her significant and current experience in digital marketing and media knowledge, principally in China, one of our key strategic markets.

As announced in May 2019, John Pattullo will stand down as Non-Executive Director and Senior Independent Director (SID) on 1 September 2019. John has made a huge contribution to the Group and I would like to thank him for his service over the last six years. David Sleath will be joining the Board in June 2019 and will succeed John as SID. David has outstanding experience as both a CEO and a SID of FTSE 100 companies and will bring a wise and experienced head to our Board.

During the year, we reviewed the impact external demands were likely to have on Bertrand Bodson's availability and agreed with him to reduce his overall time commitment. He has therefore stood down from the Audit and Remuneration Committees, although he will still be invited to attend where timings work.

Further details on these changes are set out in the Nomination Committee Report on pages 75 to 77.

Looking ahead

Priorities for the year ahead will focus on our continued progress to transform the performance of the business in line with our strategic priorities while we continue to strengthen our corporate governance framework under the 2018 Code. We will continue our focus on the Board's engagement with our workforce and look to carry out an externally led evaluation of our Board and Committees to ensure we remain efficient and effective.

Peter Johnson

Chair

20 May 2019

The Code

During the year ended 31 March 2019, the Company has been subject to the provisions of the UK Corporate Governance Code published in April 2016 (Code). The Code is publicly available at www.frc.org.uk. There are five main sections of the Code and the following sections within this Annual Report explain how the Main Principles of the Code have been applied:

Leadership	PAGE 60
An overview on the role of our Board, its division of responsibilities and activities carried out in the year.	
Effectiveness	PAGE 63
Our Directors' induction, training and annual evaluation process is set out in this section. Further details, including our process on the appointment of directors, are also set out in the Nomination Committee Report on pages 75 to 78.	
Accountability	PAGE 66
This section sets out our risk management and internal controls systems. Further details, including arrangements for our corporate reporting, risk management and internal controls, are also set out in the Audit Committee Report on pages 68 to 74.	
Remuneration	PAGES 79 TO 96
This year, in addition to full details on Directors' remuneration, we will also include our proposed Remuneration Policy to be approved by shareholders at the Annual General Meeting (AGM) in July 2019.	
Relations with shareholders	PAGES 66 AND 67
Details on how we engage with our shareholders.	
Compliance with the Code	
The Board confirms that in its view, the Company has applied the Main Principles and has complied with all the provisions set out in the Code during the year.	

OUR BOARD

Our Board has a wealth of experience and knowledge, and the appropriate balance of skills.



Peter Johnson
Chair

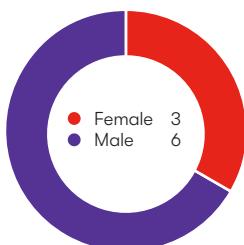


Lindsley Ruth
Chief Executive Officer

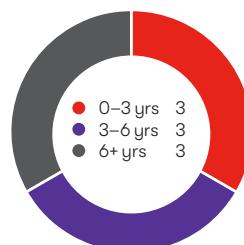


David Egan
Chief Financial Officer

Board composition¹



Board tenure¹



1. As at 31 March 2019.



John Pattullo
Senior Independent
Director



Bertrand Bodson
Independent
Non-Executive Director

<p>N Joined in October 2010</p> <p>External roles</p> <ul style="list-style-type: none"> Vice chair of the Supervisory Board of Wienerberger AG <p>Past roles</p> <ul style="list-style-type: none"> Chair of DS Smith plc Non-executive director of SSL International plc Chief executive of George Wimpey plc and The Rugby Group plc <p>Skills and experience</p> <ul style="list-style-type: none"> Distribution Sales and marketing M&A Emerging markets Service industry International operations Manufacturing Chair Chief executive officer 	<p>T Joined in April 2015</p> <p>External roles</p> <ul style="list-style-type: none"> Member of the CBI International Trade Council Non-executive director of Ashtead Group plc (from 1 May 2019) <p>Past roles</p> <ul style="list-style-type: none"> Executive vice president of the Future Electronics Group Held senior positions with TTI Inc and Solectron Corporation <p>Skills and experience</p> <ul style="list-style-type: none"> Digital Distribution Sales and marketing M&A Emerging markets Supply chain and procurement Management International operations Manufacturing 	<p>T Joined in March 2016</p> <p>External roles</p> <ul style="list-style-type: none"> Member of the CBI Economic Growth Board <p>Past roles</p> <ul style="list-style-type: none"> Group finance director at Alent plc Held a variety of senior finance positions at ESAB Holdings and Hanson plc Non-executive director of Tribal Group plc, and Chair of its Audit Committee <p>Skills and experience</p> <ul style="list-style-type: none"> Distribution Current financial experience M&A Emerging markets Service industry International operations Manufacturing 	<p>A R N Joined in January 2013</p> <p>External roles</p> <ul style="list-style-type: none"> Chair of V Group Non-executive director of Northgate PLC <p>Past roles</p> <ul style="list-style-type: none"> Chair of NHS Blood and Transplant and In Kind Direct Non-executive chair of Marken Group Non-executive director of GWI UK Acquisition Company Limited and CEVA Group plc Chief executive officer of CEVA Logistics and the EMEA division of Exel <p>Skills and experience</p> <ul style="list-style-type: none"> Distribution Emerging markets Service industry Supply chain and logistics International operations Manufacturing Chair Chief executive officer 	<p>N Joined in June 2015</p> <p>External roles</p> <ul style="list-style-type: none"> Chief digital officer at Novartis International AG <p>Past roles</p> <ul style="list-style-type: none"> Senior executive positions, including chief digital and marketing officer at Sainsbury's Argos Leading global responsibilities at Amazon and EMI Music Co-founder / CEO at Bragster, now part of Guinness World Records <p>Skills and experience</p> <ul style="list-style-type: none"> Digital eCommerce Sales and marketing Supply chain and logistics International operations Product development
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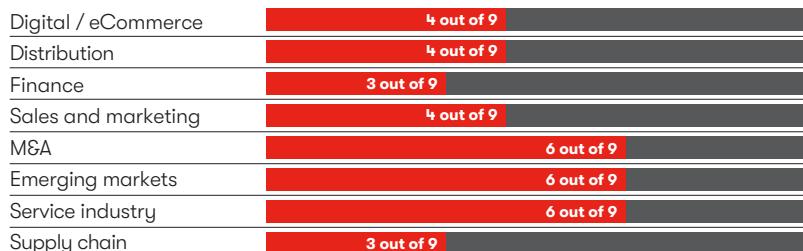
Committees key

- Chair
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- T Treasury Committee

Number of Board meetings attended during the year

Peter Johnson	8/9¹
Lindsley Ruth	9/9
David Egan	9/9
John Pattullo	9/9
Bertrand Bodson	7/9¹
Louisa Burdett	9/9
Karen Guerra	9/9
Bessie Lee	1/1²
Simon Pryce	9/9

Skills and experience



1. Due to schedule conflicts, Peter Johnson was unable to attend one unscheduled phone call and Bertrand Bodson was unable to attend two meetings during the year. Further details on Board attendance is on page 60.
 2. Bessie Lee joined the Board on 1 March 2019.



Louisa Burdett
Independent
Non-Executive Director



Karen Guerra
Independent
Non-Executive Director



Bessie Lee
Independent
Non-Executive Director



Simon Pryce
Independent
Non-Executive Director



Ian Haslegrave
Company Secretary

A R N

Joined in February 2017

External roles

- Chief financial officer of Meggitt PLC

Past roles

- Group finance director at Victrex plc
- Chief financial officer at Optos plc and the Financial Times Group
- Held roles at Chep Europe, a division of Brambles Ltd, GE Healthcare and GlaxoSmithKline plc

Skills and experience

- Digital
- Current financial experience
- M&A
- Service industry
- International operations
- Manufacturing

A R N

Joined in January 2013

External roles

- Non-executive director of Amcor Limited and Davide Campari-Milano S.p.A.

Past roles

- Non-executive director of Paysafe Group plc, Swedish Match AB, Inchcape plc, More Group plc and Samlerhuset Group BV
- Held senior executive positions at Colgate-Palmolive

Skills and experience

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

N

Joined in March 2019

External roles

- Chief executive officer of Withinlink
- Non-executive director of Ecovacs Robotics and United Group
- Advisor to Didi Chuxing and Greater Pacific Capital

Past roles

- Chief executive officer roles at Mindshare, GroupM and WPP in China

Skills and experience

- Digital
- M&A
- Marketing and advertising
- Emerging markets
- International operations
- Chief executive officer

A R N

Joined in September 2016

External roles

- Chief executive officer of Ultra Electronics Holdings plc
- Member of the Council, Chair of the Investment Committee and a member of the Strategy and Finance Committee of The University of Reading

Past roles

- Group chief executive at BBA Aviation plc
- Held a range of international finance and management roles at GKN plc, JP Morgan and Lazard

Skills and experience

- Strategic financing and capital markets
- M&A and integration
- Emerging markets
- Service industry
- Strategy
- Manufacturing
- International operations
- Group chief executive

Joined in September 2006

External roles
None

Past roles

- International legal director at Viacom Outdoor Limited
- Senior positions at United Biscuits Limited and Freshfields Bruckhaus Deringer

Skills and experience

- M&A
- Service industry
- International operations
- Corporate law and governance
- Risk management
- Procurement
- Manufacturing
- Information security

David Sleath
Non-Executive Director

As announced on 20 May 2019, David will join the Board as Non-Executive Director and member of the Audit, Remuneration and Nomination Committees on 1 June 2019.

Full biographies can be found at electrocomponents.com



DRIVING OUR STRATEGY

1. Lindsley Ruth

Chief Executive Officer

Lindsley is responsible for the Group on a day-to-day basis and the development and implementation of the strategy.

Past roles

Details on page 56

A new president of Allied Electronics & Automation is to be appointed.

2. David Egan

Chief Financial Officer

David is responsible for the Group's strong financial management and effective financial controls.

Past roles

Details on page 56

3. Mike England

President, EMEA

Mike is responsible for the commercial operation, business transformation and profitable growth for the EMEA region.

Past roles

- Managing director at RS Components UK and Northern Europe
- Sales director at Brammer UK Limited
- Held senior commercial and operational roles at Hagemeyer (now Rexel)

4. Frank Lee

President, Asia Pacific

Frank is responsible for the commercial operation, business transformation and profitable growth for Asia Pacific.

Past roles

- CEO of ISS in China
- Held various senior executive positions at Rexel, Siemens and ABB Group

5. Debbie Bowring

President, IESA

Debbie will be appointed President, IESA from 1 June 2019. Debbie joined IESA in 2013 as Chief Operating Officer and is responsible for creating and leading the implementation of strategy within IESA to deliver profitable and sustainable growth.

Past roles

- Senior international roles, leading transformation, growth and change to drive growth

1

2

3

4

5



6. Guy Magrath
Chief Digital Data and
Technology Officer

Guy is responsible for driving digital transformation across the business, providing customers with a world-class online experience while ensuring the technology and data platforms continue to evolve at pace for the business needs of the future.

Past roles

- Held senior positions across marketing, product management and eCommerce in the Group

7. Kurt Colehower
President, Electronics

Kurt is responsible for building the electronics business across the Group while developing our supplier relationships and offerings across the globe, including our DesignSpark community.

Past roles

- Corporate vice president and president of the Americas Components Group of Arrow Electronics
- Held senior positions at Solectron Corporation

8. Debbie Lentz
President, Global
Supply Chain

Debbie is responsible for leading the further development of the Group's supply chain capability to provide an innovative and sustainable market-leading service for customers and suppliers.

Past roles

- Held senior positions in distribution and supply chain at Toys R Us, Kraft Foods and Nabisco

9. Ian Haslegrave
Company Secretary
and President, Group
Professional Services
and People

In addition to Ian's role as Company Secretary, he is responsible for leading the Group's Professional Services and People team which includes Company Secretariat, Legal, Compliance, Pensions, Information Security and global People functions.

Past roles

Details on page 57

10. Michael Cramb
Senior Vice President,
Corporate Development

Michael is responsible for strategy development, programme management and M&A activity. He has extensive experience in business transformation and M&A.

Past roles

- Vice president Corporate Development at Alent plc
- Held senior positions at UK Government Investments and Rexam plc
- Led a strategic review and ran M&A and joint venture activity at Imagination Technologies Group plc



CORPORATE GOVERNANCE OVERVIEW

Leadership

Role of the Board

The Board provides overall leadership for the Group and is collectively responsible for promoting the long-term success of the Company. The Board is accountable to shareholders for the Group's financial and operational performance, and is responsible for setting the strategy and ensuring that our risks are managed effectively.

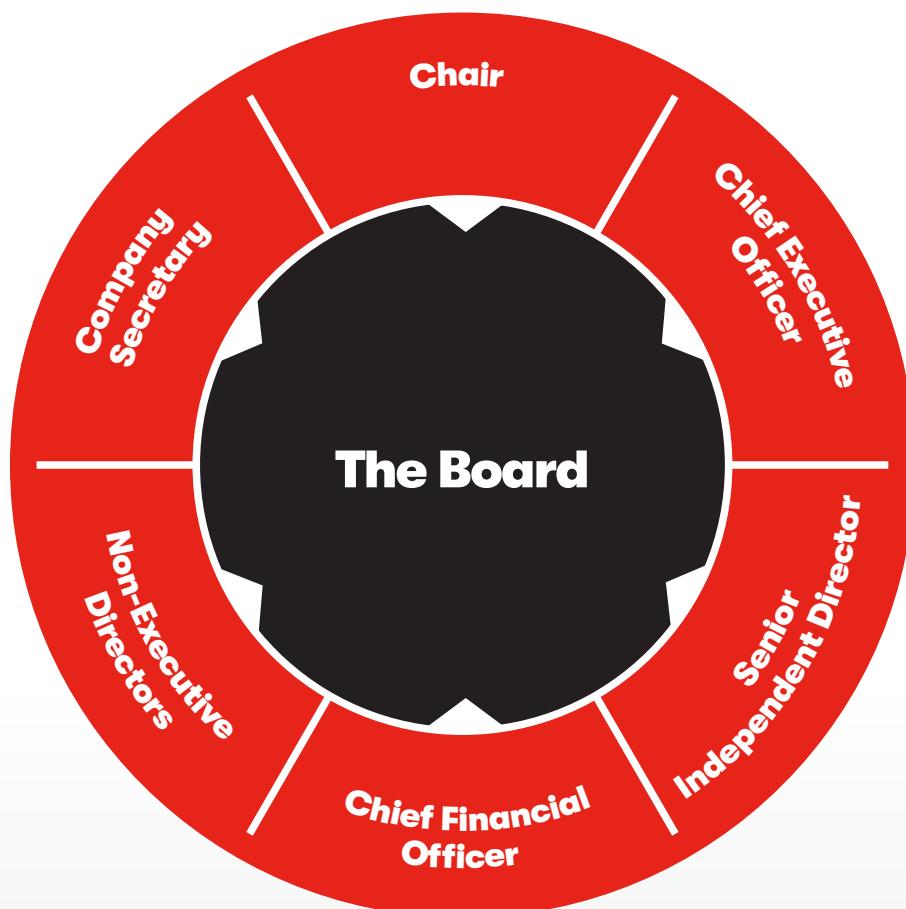
In the opinion of the Board, the Chair and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge, and the appropriate balance of skills. Members of the Board are expected to assign sufficient time to enable them to effectively carry out their

responsibilities and duties to the Board and to the Committees on which they sit. Members are sufficiently independent of management and are free from any other circumstances or relationships that could interfere with the exercise of their judgement.

Board meetings

During the year, the Board held nine meetings. Due to scheduled conflicts, Peter Johnson was unable to attend one unscheduled meeting and Bertrand Bodson was unable to attend two meetings. Though unable to attend, both Peter and Bertrand received full information on the matters which were to be discussed at the meetings. Further details on the number of meetings attended by each Director is set out on page 57.

Responsibilities of the Board



Chair

Responsible for leadership of the Board and ensuring its effectiveness

- Promotes adequate discussions and debate
- Facilitates constructive relations between Non-Executive and Executive Directors
- Ensures delivery of accurate, timely and clear information to all Directors

Senior Independent Director

Responsible for evaluating the Chair's performance

- Chairing the meeting of Non-Executive Directors when evaluating the Chair
- Available as an alternative communication channel for shareholders
- A sounding board for the Chair

Chief Executive Officer

Responsible for the Group on a day-to-day basis

- Accountable to the Board for operational performance
- Responsible for development and implementation of strategy
- Ensures robust management succession plans are in place

Before setting the agenda for each Board meeting, the Chair and the Company Secretary discuss the agenda items, reflecting on agreed actions raised from previous meetings and events which have taken place in between meetings. Focus is also given to timings to ensure that sufficient time is allocated to have effective discussions at the meeting.

Directors then electronically receive the relevant information in a timely manner ahead of the Board meetings.

At each Board meeting:

- The Chief Executive Officer (CEO) presents a comprehensive update on the business issues across the Group and performance against certain metrics are received, enabling the Board to understand how we perform with our customers and how the customer journey is evolving.

- The Chief Financial Officer (CFO) presents a detailed analysis of the financial performance, as well as reports on investor relations and feedback from investors.
- Members of the Senior Management Team (SMT) and other managers present updates on any relevant strategic matters, including their areas of responsibilities and updates on developments and changes to the business.
- The Company Secretary and President of Group Professional Services and People presents a report on key regulatory and governance updates, people, information security, pensions, legal and compliance issues that affect the Group.
- Verbal updates from the Chairs of the Committees are given (if applicable).

Between Board meetings, Directors are given the opportunity to meet with members of the SMT.

Chief Financial Officer

Responsible for strong financial management and effective financial controls

- Develops the Group's financial policies and strategies
- Ensures a commercial focus across all business activities and appropriateness of risk management
- Supports and advises the CEO

Non-Executive Directors

Responsible for independent external perspectives

- Contribute an independent view to the Board's deliberations
- Constructively challenge the strategy and performance of management
- Satisfy themselves on the integrity of financial information and controls and systems of risk management

Company Secretary

Supporting the Chair in the effectiveness and governance of the Board

- Supports and advises the Chair on various matters including succession planning
- Leads the Board evaluation process
- Keeps the Board informed of corporate governance developments
- Supports the Remuneration Committee Chair in remuneration design and implementation, and consultations
- Actively involved in the recruitment and induction of new Board members

Matters for the Board

All matters that have a material impact upon the Group are reserved for the Board. Such matters are formally set out in a schedule and include:

- The review and approval of the Group's long-term strategy and its target setting and business plans
- The review and approval of major investment proposals and capital expenditure
- Major changes to the Group's corporate structure (including acquisitions or disposals)
- The approval of full-year and half-year results and trading updates, including the review and approval of the going concern basis of accounting and the viability assessment
- The approval of the Group's dividend policy and the recommendation and payment of interim and final dividends
- The review and approval of the Group's tax strategy
- Ensuring the operation and maintenance of the Group's systems of risk management, internal control and corporate governance
- Reviewing health and safety performance across the Group
- Setting the Group's values and standards
- On the advice of the Nomination Committee, reviewing succession plans for the Board and SMT
- Evaluating Group performance and reviewing forecasts

Full details of the Company's schedule of matters reserved for the Board are available on the website: electrocomponents.com.

Governance structure



Board focus 2019

Strategy

- Acquisition and integration of IESA and Monition
- Completion of the centre of expertise in Foshan, China
- Preparation for the launch of OKdo, our global technology company focused on single-board computing and Internet of Things
- Strengthening our supply chain strategy
- Developing our Mobile First strategy

Governance

- Monitoring major changes in corporate governance, including the 2018 Code
- Board succession and pipeline
- Board evaluation
- CEO pay ratio disclosure
- Employee engagement

Finance

- Full-year and half-year reports
- Approval of the final and interim dividend
- Impact of the second phase of the Performance Improvement Plan
- Completion and performance of IESA and Monition acquisitions

Risk management

- Brexit and the US-China trade dispute
- Digital capability and system stability
- Information security and data protection
- Risk appetite

Board focus

The table above sets out the main areas of focus for the Board during the year ended 31 March 2019. During the year, the Board visited Munich, Germany, to attend a leading electronics industry event, electronica. There was also an additional offsite meeting in January for a strategy session with the SMT.

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

Effectiveness

Composition of the Board

The Board has carefully considered the guidance criteria regarding the composition of the Board under the Code. In the opinion of the Board, the Chair and all the Non-Executive Directors bring independence of judgement and character, a variety of experience and diverse 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 independent of management and are free from any other circumstances or relationships that could interfere with the exercise of their judgement.

Training

Directors are encouraged to update and refresh their skills and knowledge by attending external seminars and briefings. Through participation at meetings and visits to operations both in the UK and overseas, as well as receiving presentations from management, Board members are able to increase their familiarity with the business.

The Company Secretary provides the Board with details of relevant external training courses on a quarterly basis. At the same time, a record of training and seminars attended by Directors is also logged which helps identify areas where further training may be required allowing us to keep a look out for relevant courses or provide bespoke training.

During the year, training on topics such as crisis management and Brexit was provided. Specific training given to the Board included updates regarding corporate governance matters and data protection, corporate broker updates on the global market, and a report on the Group's corporate responsibility activity.

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.

Induction

A tailored induction programme is provided for each new Director. As part of the induction, new Directors are given a Directors' Manual which sets out relevant information on the Company's approach to governance, information on key Group policies and day-to-day administrative matters. The new Director will then meet with the Company Secretary to receive a detailed overview of their role and their responsibilities as a Director before having one-to-one meetings with each member of the SMT and key managers in the business. For new Directors who have not had any exposure to the UK-listed environment, as part of their induction programme they will receive further targeted training to bring them up to speed with the relevant laws and regulations of the UK.



CASE STUDY
Board strategy session

The Board strategy session took place in January 2019 and was attended by members of the Board and SMT. In the session, the Board was provided with a detailed update on the ongoing work being carried out on the next stage of development of the Group's strategy. The session included discussions on the corporate objectives and initiatives, go-to-market strategies, organisational capability, the implementation plan and the financial model.

Director re-election

Notwithstanding the provisions of the Company's Articles, all Directors are required to retire and stand for re-election at each Annual General Meeting (AGM) in compliance with the Code.

The Board has a broad range of skills and experience and the Directors work together effectively as evidenced throughout this Annual Report. The Board, following its evaluation process, also considers that the performance of all the Directors who are nominated for re-election continues to be effective and demonstrates their commitment to their role. The Board therefore recommends that they be re-elected at this year's AGM.

Board evaluation

This year the Company Secretary facilitated an internal evaluation of the Board and its Committees through a questionnaire followed by one-to-one meetings by the Chair with each Director. The Board values the benefit of a full evaluation of its performance and believes it provides meaningful insight and objectivity to its Committees and Directors, enabling it to improve its leadership, effectiveness and focus. In line with the Code, the Board will look to carry out an external evaluation in 2020.

The questionnaire sent to Board members sought to obtain views on certain key corporate governance areas as well as to gauge its own effectiveness. It also gave Directors an opportunity to provide their candid thoughts: what was being done well and what needed to be improved. Views were also sought on the Chair and SID, as well as the workings of the Committees of the Board.

The questionnaire covered the following areas:

- Effectiveness of the Board and Committee meetings
- Contributions of the Board and its Committees
- Relationships with the SMT around the direction and values of the organisation and the decision-making process
- Delivery of strategy against performance measures
- The Board's understanding of the Company's journey and developing culture
- Risk management
- Training and development
- Shareholder and stakeholder communications
- Succession and talent management

In addition, the Chair held one-to-one meetings with each Director covering the themes outlined above, the dynamics of the Board, and the training and development needs of the Directors, as well as any other areas of concern.

In relation to the performance of the Chair, the SID also held discussions with the CEO and CFO, and provided feedback to the Chair and the Non-Executive Directors accordingly. The SID also had a meeting with the Company Secretary to discuss his feedback.

The overall results of this year's evaluation were positive and there was a consensus about the challenges ahead and the areas of focus for the Board.

The Evaluation process

1

The Chair and the Company Secretary discussed and agreed the scope of the evaluation, reflecting on the activities undertaken and focus of the Board during the year.

2

The Company Secretary prepared a questionnaire which included a combination of rating scale and open-ended questions. All feedback from Directors was provided on a no-name basis. A number of questions from the previous year were also included to ensure progress could be monitored.

3

The Company Secretary analysed the responses and prepared separate reports of the findings for the Chair, the SID and the Chairs of each Committee. The report identified strengths, challenges and priorities. The SID analysed the responses relating to the Company Secretary. A number of recommendations were also included for discussion by the Board and each of the Committees.

4

The Company Secretary presented reports of the findings and recommendations to the Board and each of the Committees. These reports were then discussed and any relevant actions were agreed for the year ahead. The SID also discussed the feedback on the Chair and the Company Secretary with the other Directors.

2019 evaluation outputs

Ouputs for 2019

Succession planning and talent development

Deeper understanding of the strategy

Effective Board discussions

Actions for 2020

- Increase the knowledge and skills of the Board including Asia Pacific experience and a successor for the SID
- Targeted talent development to create a healthy pipeline for the SMT
- More insight on the Company's progress with its strategy
- Sessions to be held outside the Boardroom with the SMT
- Increase the Board's awareness and understanding of the Company's approach to value-added solutions and diversity
- Ensure key topics are allocated sufficient time to ensure that they are not rushed
- Ensure there is the right balance between discussion of operation and strategic topics
- Continue to ensure that the Board pre-read is well structured and presenters set up their session clearly to maximise time spent on discussion and debate

Accountability

Risk management and internal control

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

The Board carries out its own review of the risk management process; this is in addition to the reviews carried out by the Audit Committee. Further details of the Audit Committee's process are given in the Audit Committee Report on pages 72 and 73 and Board's review in the Strategic Report on page 38.

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

The Chair, CEO, CFO and Company Secretary engaged in a simulated cyber risk exercise to increase their knowledge of how best to resolve the issues that the Group would face if a cyber security related incident occurs.

Going concern and viability

The Board's statements on going concern and long-term viability can be found in the Strategic Report on pages 42 and 43, together with an analysis of the Company's principal risks and uncertainties on pages 40 and 41.

Relations with stakeholders

The Board values the importance of understanding the views of our stakeholders which includes our people, customers, suppliers, our wider community and shareholders. The value of understanding our stakeholders' views enables our Board to make informed decisions when discharging their duties under section 172(1) of the Companies Act 2006. Further details on our stakeholders and the work we have carried out in the year can be found in the Corporate Responsibility section.

People

During the year it was agreed that Karen Guerra would be the Board's representative for employee engagement. In this role, Karen will engage with our employees through a combination of new and existing forums which includes face-to-face meetings, video conference calls and through our Working for Women communities. Karen has started this journey with: a Working for Women meeting in London, UK; a video conference call with our employees in Hong Kong and Shanghai, China; and visited our operations in Sydney, Australia. Karen then provides verbal updates to the Board following her meetings on the topics discussed and any issues raised. This work will be ongoing and the Company Secretary will feed back Board responses to our employees as and when appropriate.

Shareholders

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

The Board ensures that regular and useful dialogue is maintained with shareholders. The AGM is used as an additional opportunity for the Chair and other Board members to meet with shareholders and investors and gives them the opportunity to ask questions.

Institutional shareholders

Executive Directors have frequent discussions with institutional shareholders on a range of issues affecting the Group's performance, which include meetings following the announcements of the full-year and half-year results. At these meetings the Executive Directors meet with major shareholders to discuss performance, strategy and governance.

Investor relations

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

Investor relations activity during the year included:

- Meetings with key investors and shareholder bodies by the SID and the Chair of the Remuneration Committee to discuss governance and remuneration matters
- Meeting with the UK Shareholder Association by the CEO
- Face-to-face meetings and telephone briefings for analysts, investors and potential investors in the UK, US and Europe, covering the vast majority of shareholdings
- Face-to-face presentations of full year and half year results
- Recorded webcasts and presentations being made available on the corporate website
- The AGM where each member of the Board is available to answer questions
- Meetings between the Chair and shareholders
- Periodically, shareholders were invited to visit our various operations



CASE STUDY

Visit to electronica

In November 2018, the Board travelled to Munich, Germany to attend electronica, the world's leading trade fair for electronic components, systems and applications. At our stand, the Board learnt more about how we are supporting both our customer and supplier inspiration and innovation. The Board also visited a number of suppliers who explained their strategies and gave their perspectives on the future development of the industry. This visit enabled Board members to enhance their awareness of the business and the market in which we operate.

AUDIT COMMITTEE



Members and attendance

Louisa Burdett (Chair)	4/4
Bertrand Bodson	1/3¹
Karen Guerra	4/4
John Pattullo	4/4
Simon Pryce	4/4

1. Bertrand Bodson stood down from the Audit Committee with effect from 13 December 2018.

2019 highlights

- Fair value determination and integration of IESA
- Progression of information security strategy, including the implementation of controls and processes to comply with the General Data Protection Regulations (GDPR)
- Oversight of shared business services implementation in China
- Oversight of the second phase of the Performance Improvement Plan (PIP)

2020 priorities

- Assuring the control environment in business shared services in China, particularly for automated processes and artificial intelligence
- Accounting changes, notably IFRS 16
- Risk assurance for significant capital post-investment reviews e.g. Allied and European distribution centre expansion projects

Dear shareholder

As Chair of the Audit Committee, I am pleased to present the Committee's Report for the year ended 31 March 2019. This Report is designed to set out the role and responsibilities of the Committee, as well as the work that it has undertaken during the course of the year.

Under the 2016 UK Corporate Governance Code (Code), the Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of the Company's internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. It must also present a fair, balanced and understandable assessment of the Company's position and prospects. Furthermore, it must establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. It is the role of the Audit Committee to assist the Board in complying with these requirements.

As such, the main functions of the Committee have not changed from previous years. As well as supporting the Board, its aim continues to be protecting the interests of the Company's shareholders. It does this by undertaking the following activities:

- Assisting the Board in ensuring the integrity of the financial and corporate reporting and auditing processes
- Ensuring effective internal control and risk management systems are in place
- Measuring the Group's effectiveness in managing risk
- Assisting the Board to present a fair, balanced and understandable assessment of the Group's position and prospects in the full-year and half-year financial reports
- Assisting the Board by reviewing and challenging the stress testing performed, based on plausible scenarios arising from selected principal risks, in assessing the long-term viability of the Group
- Approving the remit of the Internal Audit function and reviewing its effectiveness and findings
- Ensuring that an appropriate relationship is maintained between the Group and its external Auditor, including the recommendation to approve their appointment and fees
- Monitoring progress on the implementation of the information security strategy to mitigate one of the Group's major risks
- Reviewing the scope and effectiveness of the external audit process
- Reviewing whistleblowing and fraud procedures

Specific focus during the year

The Committee increased its focus on the Group's information security strategy and the required processes and policies necessary for the implementation of the GDPR.

It assessed and approved the judgements applied in determining the fair values and goodwill for the acquisition of IESA on 31 May 2018 and of Monition on 31 January 2019 and monitored their integration.

The Committee closely monitored progress of the second phase of PIP. It agreed that these costs amounted to substantial reorganisation costs which are excluded from adjusted profit and cash flow measures as this enables readers of the Annual Report to understand more clearly the underlying financial and operating performance of the Group.

Further details can be found within this Audit Committee Report.

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

Louisa Burdett

Chair of the Audit Committee
20 May 2019

Composition of the Committee

The composition of the Committee underwent one change this year when Bertrand Bodson stood down on 13 December 2018 from his formal appointment as a member, although he is still invited to attend where his availability permits. Further information about Bertrand's roles and commitments are set out on page 56 of the Corporate Governance Report and pages 75 and 76 of the Nomination Committee Report.

The Board is satisfied that the Chair of the Audit Committee continues to have current and relevant financial and accounting experience required by the provisions of the Code and that the other members of the Committee have a sufficiently wide range of business experience, expertise and competence such that the Committee can effectively fulfil its responsibilities. Details of the skills and experience of the Committee members are given in their biographies on pages 56 and 57.

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 on page 68.

Attendance of other individuals is at the invitation of the Committee Chair and does not restrict the Committee's independent decision making. Regular attendees include the Company Chair, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary, Group Financial Controller, Vice President Group Operational Audit and Risk (VP Audit and Risk) and the external Auditor. The Chief Information Security Officer also attends to provide regular progress updates against the Group's information security strategy.

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

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

Activities during the year

The main activities of the Committee during the course of the year are set out on the following pages. However, further information can also be found in the corporate governance section of our website.

Financial reporting

The primary role of the Committee in relation to financial reporting is to monitor the integrity of published financial information, which includes reviewing the full-year and half-year financial results with both management and the external Auditor. The Committee focuses on ensuring compliance with the relevant financial and governance reporting requirements. It considers the principal accounting policies used in the preparation of these results, as well as reviewing the significant accounting issues and areas of judgements noted on page 71. To support its reviews, it receives regular reports from the CFO and the Group Financial Controller.

The Committee also provides advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and on the assessment of the Group's going concern assumptions and longer-term viability.

Fair, balanced and understandable

The Board is required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information and key messages to enable shareholders to assess the Group and the Company's position and performance, business model and strategy.

As in previous years, the Committee has applied its customary robust process when assessing whether it can recommend to the Board that it can make this confirmation. This process included:

- Ensuring that there was a thorough understanding of the regulatory requirements for the Annual Report and Accounts
- Reviewing draft copies of the Annual Report and Accounts early in the drafting process to assess the broad direction and key messages, with a further draft provided to the Committee and Board prior to sign-off of the Annual Report and Accounts
- Assessing management's fair, balanced and understandable verification process and reviewing its results. This included a cascaded sign-off across the Group to determine the accuracy, consistency and clarity of the data, information and language
- Ensuring that a thorough review of the Annual Report and Accounts was undertaken by all appropriate parties including external advisors

The use and disclosure of alternative performance measures were also considered by the Committee as part of this process and it confirmed its belief that separate disclosure of these measures enables readers of the Annual Report and Accounts to understand more clearly the underlying financial and operating performance of the Group. The Committee agreed that these measures should be updated so that like-for-like measures exclude acquisitions, adjusted measures exclude amortisation of intangible assets arising on acquisition of businesses and free cash flow excludes cash spent on acquisition of businesses and cash and cash equivalents acquired with those businesses. Further details on alternative performance measures including their definitions and reconciliations are set out in Note 3 on pages 115 to 118. The Committee reviewed the costs associated with the second phase of PIP and agreed that they amounted to substantial reorganisation costs which are excluded from adjusted measures and their disclosure in Note 7 on page 120. It also reviewed the disclosure in Note 10 on page 125 of the impact on the Group's UK defined benefit pension scheme of the Lloyds Banking Group's High Court case on equalisation of guaranteed minimum pensions (GMP) and agreed that this amounted to one-off pension costs which are excluded from adjusted measures.

The Committee has reviewed the Annual Report and Accounts for the year ended 31 March 2019 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 position and performance, business model and strategy.

Significant accounting issues and areas of judgement

In preparing the accounts, there are a number of areas which require management to exercise judgement. The Committee focuses in particular on any significant areas of judgement that may materially impact reported results, as well as clarity of the related disclosures, and assesses whether these judgements are reasonable and appropriate.

The significant accounting issues and areas of judgement considered by the Committee during the year, and how these were addressed, are set out on the next page.

Significant accounting issues and areas of judgement

Inventory valuation: Inventory represents a material proportion of the Group's net assets. At 31 March 2019, the Group had £387.2 million (2018: £331.0 million) of inventory on the balance sheet. Key judgements are made in estimating its net realisable value. See Note 17 on page 132.

Retirement benefit obligations: The Group has a material defined benefit pension scheme in the UK and smaller defined benefit schemes in the Republic of Ireland, Germany, France and Italy. At 31 March 2019, the total deficit in relation to these retirement benefit obligations was £83.6 million (2018: £72.4 million), of which the UK was £69.4 million (2018: £58.1 million). Key judgements are made in relation to the assumptions used when valuing the retirement benefit obligations. See Note 10 on pages 123 to 127.

Taxation: The Group operates across a number of different tax jurisdictions and is subject to periodic challenges by local tax authorities on a range of matters during the normal course of business. These challenges currently include transfer pricing. Key judgements are made in assessing the levels of tax contingencies required for current challenges, recoverability of losses and areas of potential risk where the precise impact of tax laws and regulations is unclear. The Group's taxation provision was £7.8 million as at 31 March 2019 (2018: £7.8 million). See Note 11 on pages 127 to 129.

Fair values and goodwill on acquisition of businesses: The Group completed the acquisition of IESA on 31 May 2018 for cash consideration of £30.9 million. The purchase price allocation resulted in goodwill of £29.5 million and other intangible assets of £45.6 million. Monition was acquired on 31 January 2019 for cash consideration of £3.7 million plus an accrual of £0.2 million, resulting in goodwill of £1.2 million and other intangible assets of £1.7 million. Key judgements are made in relation to the assumptions and data used in determining the fair values of the intangible assets acquired and the goodwill arising. See Note 29 on pages 144 to 145.

Impairment of goodwill and other assets: There is £231.2 million of goodwill on the balance sheet at 31 March 2019 (2018: £186.5 million), the majority of which relates to the acquisition of Allied Electronics, Inc. in July 1999. Key judgements are made in relation to the assumptions used in the value-in-use models which are used to assess impairment of goodwill and other assets when there are indicators that they may be impaired.

How the Committee addressed these matters and conclusions reached

The Group estimates the net realisable value of inventory in order to determine the value of any provision required and key judgements relate to the duration of product life cycles, amount of anticipated revenue over these life cycles and the value recoverable from any excess inventory. An update of these assumptions, based on recent experience, was presented to the Committee. The Committee reviewed and agreed the reasonableness of the assumptions.

In order to reach this conclusion, the Committee also discussed with senior managers the inventory management process and the improvements made during the year.

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; bond yields used to determine the discount rate in particular have a significant impact. The assumptions put forward by the actuaries and Group Pension Manager were reviewed by the Committee. The Committee also reviewed the external Auditor's comparisons of the assumptions with those of other similar schemes. After discussion, the Committee agreed the reasonableness of the assumptions.

The Committee receives regular updates on challenges by local tax authorities and any other areas of potential risk. It reviews the effective tax rate, the balance sheet provision at the half year and the full year and relevant disclosures, and discusses the position with senior managers as well as the external Auditor. The Committee agreed the reasonableness of the tax provision and that disclosures were reasonable and appropriate.

The Group reviewed the net assets acquired, identifying and fair valuing all the assets and liabilities. For larger acquisitions the Group engages external professional advisors for the identification and calculation of fair values of intangible assets while ensuring that the assumptions and forecast cash flows used in the valuation models are reasonable.

The Audit Committee reviewed the process, discussed it with management and the external Auditor and assessed the results of the work undertaken. The Audit Committee concluded that it is satisfied with the fair values and goodwill arising on acquisition of businesses.

The value of goodwill is reviewed regularly for impairment using value-in-use models using cash flow and discount rates as set out in Note 14 on pages 130 to 131. The Committee reviews these impairment tests every year, including the key assumptions, confirming that there remains adequate headroom in place and no impairment provision is required.

Other assets are regularly reviewed to ensure there are no indicators that they may be impaired. If any significant impairments are found, the Committee will also review these impairment tests, including the key assumptions, confirming that the valuation is reasonable.

Going concern and viability statements

As part of the Committee's responsibility to provide advice to the Board, the Committee reviewed the Group's going concern assumptions and reviewed and challenged the process and assessment of the Group's longer-term viability. For the viability statement, this included reviewing the assessment period selected as well as the assumptions used in the stress testing performed, which was based on plausible scenarios arising from selected principal risks. Details of these statements are noted on pages 42 and 43 of the Strategic report.

Other matters

The Committee also carried out a range of other activities in relation to financial reporting in the year, including:

- Reviewing a summary of the effect on the Group of adopting new accounting standards, IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', which were adopted in the year
- Receiving regular updates on the progress of the Group's implementation project for IFRS 16 'Leases' which will be adopted in the year ending 31 March 2020
- Reviewing and agreeing the accounting treatment and disclosure of post balance sheet events

Internal control and risk management

The Board has overall responsibility for the Group's systems of internal control and risk management, and their effectiveness is detailed in the Corporate Governance Report on page 66, together with the going concern and viability statements on pages 42 and 43.

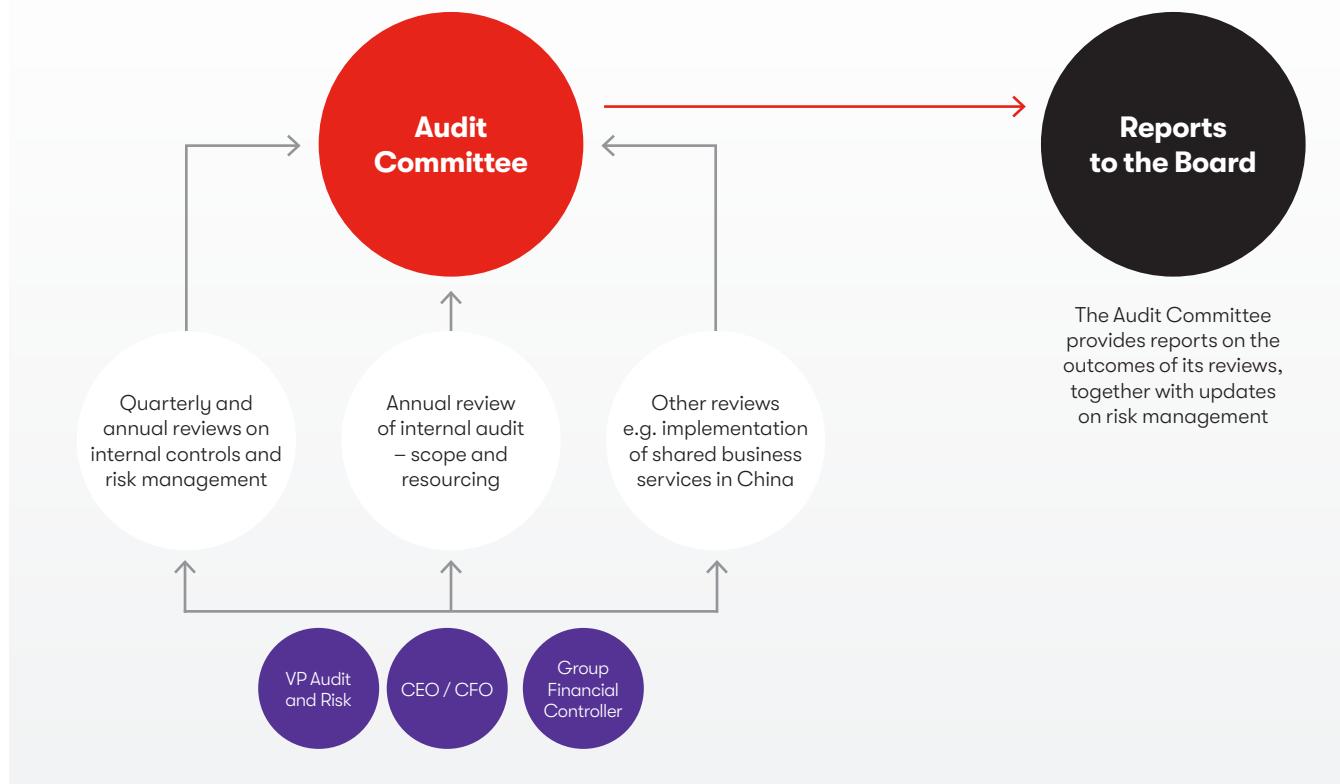
The VP Audit and Risk provides the Committee with quarterly reports on the performance of the system of internal control and its effectiveness in managing our principal risks and in identifying control failings or weaknesses. The results of these reports are carefully considered by the Committee, in particular those reports that cover delivery of key strategic objectives of the Group or that indicate improvement is required in any given process or control.

The Committee reviews, on an annual basis, the Group's risk management process, in accordance with the requirements of the Code, the Financial Reporting Council (FRC) Guidance on Audit Committees and the recommendations of the FRC Guidance on Risk Management, Internal Control and Related Financial Business Reporting. The outcome of these reviews are reported to the Board. This, together with the regular updates to the Board on the principal risks, allowed the Board to assess the systems of internal control and the residual risk for the purposes of making its public statement within this Annual Report and Accounts.

These reviews include material controls, which cover financial, operational and compliance controls and risk management systems. Further information regarding the Group's principal risks and uncertainties is given on pages 38 to 41 of the Strategic Report.

Where weaknesses in the internal control system have been identified, plans for strengthening them are put in place and regularly monitored. There were no significant control failings or weaknesses identified.

Audit Committee reviews of internal control and risk management



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 100.

The main elements include:

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

Internal audit

The Internal Audit function undertakes work across the whole of the Group and provides independent and objective assurance over the Group's systems of internal controls, through a risk-based approach. The Committee reviews and approves the scope and resourcing of the Internal Audit plan on an annual basis with the VP Audit and Risk. The scope of the plan is determined by reference to the Group's operating risks and strategic priorities as well as perceived geographic, functional and external risks.

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 VP Audit and Risk has regular contact with the Chair of the Committee through telephone calls and face-to-face meetings. These discussions are around audit planning and matters noted during Internal Audit assignments.

The Committee Chair and other members of the Committee are also available as required. At least annually the Committee meets with the VP Audit and Risk without the presence of management.

Other activities

During the year, the Audit Committee has had an increased focus on information security. This has included reviewing and approving a Group information security strategy and associated roadmap, aligned to the key information risks that the organisation faces. Specific information security themes discussed at the Committee have included data loss prevention, employee awareness, phishing protection and data protection controls.

An ongoing programme of information security improvements is underway and regular updates continue to be provided to the Audit Committee.

The Committee also reviewed the new processes and policies necessary for the implementation of the GDPR. The Group handles personal data in two main ways, namely employee personal data and supplier, customer and contact personal data. During the year the Committee received regular progress updates on the Group's GDPR compliance programme, which has been built on the basis of eight workstreams to ensure that privacy accountability and commitment is embedded at the appropriate levels across the organisation to comply with GDPR.

Auditor

Effectiveness and independence

The Committee is responsible for reviewing the performance and effectiveness of the external Auditor.

The Committee undertakes an annual review, covering qualification, expertise, resources and appointment as well as ensuring that there are no issues which could adversely affect the external Auditor's independence and objectivity. It also considers the robustness of the audit activity itself, the quality of delivery and the feedback received from senior managers across the Group.

The Committee assesses how well the external Auditor has exercised professional scepticism and provided an appropriate degree of constructive challenge to management. Also, as part of risk evaluation planning, it considers the risk of its external Auditor withdrawing from the market.

Having given detailed consideration to the above, the Committee concluded that it would recommend to the Board that PwC be reappointed as external Auditor. The Board accepted that recommendation and a resolution will be put forward to shareholders to reappoint PwC at the forthcoming Annual General Meeting.

Further details of how the Committee and external Auditor work together, as well as how the external Auditor's independence is maintained, can be found in the corporate governance section of our website. The Committee also confirms that, as in other years, the Group does not engage the external Auditor to undertake any work that could threaten this independence.

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

Tender and rotation

PwC was appointed following an external tender process carried out in 2014 and the audit is not required to be re-tendered until 2024. This is in accordance with the EU Audit Regulation and Directive, and the Companies Act 2006, which states that there should be a public tender every 10 years and a change of external Auditor at least every 20 years. There are no contractual obligations that restrict the Committee's choice of external Auditor.

AUDIT COMMITTEE REPORT CONTINUED

Our Senior Statutory Audit Partner with PwC was Christopher Richmond until the completion of this year's audit. He had been involved in our audit since 2015. The new Senior Statutory Audit Partner is Sandeep Dhillon. She is due for rotation after the 2024 audit.

Non-audit assignments undertaken by the Auditor

To safeguard the independence of the external Auditor, the Group operates a policy to ensure that the provision of non-audit services does not impair the external Auditor's independence or objectivity. In determining the policy, the Committee has taken into account possible threats to the external Auditor's independence and objectivity.

The policy on non-audit services includes:

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

Full details of our policy in relation to non-audit services can be found in the corporate governance section of our website. This policy was reviewed by the Committee during the year and only a minor change was required to clarify that the CFO's authority for costs under £50,000 had been pre-approved by the Committee.

During the year under review the non-audit fees for PwC were £4,000 compared to audit fees of £1.3 million. Further information on fees payable to PwC are included in Note 5 on page 119.

The Committee has satisfied itself that the external Auditor complies with both the Code and the FRC's Ethical and Auditing Standards regarding the scope and level of non-audit work and non-audit fees incurred by the Group.

Committee evaluation

The activities of the Committee were again reviewed as part of this year's internal Board evaluation process. The responses demonstrated strong support of the manner in which the Committee operates and how it is chaired by Louisa Burdett. They highlighted in particular that, as Chair, Louisa has continued to build on the foundations from her first year, consistently ensuring that the Committee, the CFO and the external Auditor work effectively together.

Further details of the evaluation process can be found in the Corporate Governance Report on pages 65 and 66.

Fraud

The Committee reviews the procedures for prevention and detection of fraud in the Group. Suspected cases of fraud must be reported to the Company Secretary within 48 hours and investigated by operational management or Internal Audit, as appropriate. The outcome of any investigation is reported to the Company Secretary and the CFO. A register of all suspected fraudulent activity and the outcome of any investigation is kept and circulated to the Board on a regular basis, with the Committee also receiving regular updates. The Group takes steps in line with good business practice to detect and prevent fraudulent activity. During the year, there were no frauds of a material nature, although the Group is subject to various attempts at external and low-level credit card and online fraud.

Whistleblowing

In accordance with the provisions of the Code of Conduct, the Committee is responsible for reviewing the arrangements whereby all staff may, in confidence, raise concerns about illegal, unethical or improper behaviour or other matters and for ensuring that these concerns are investigated and escalated as appropriate. An external third party operates the reporting tools, except in Germany where local regulations prohibit this and an in-house alternative has been set up. Whistleblowing is referred to as Speak Up internally and is available to all employees. There was focused activity to promote the facility to our employees over the course of this year, which included management briefings and face-to-face presentations to IESA employees (within two months of the acquisition being completed) as well as the RS leadership in EMEA and Asia Pacific. The Committee receives aggregated reports on matters raised through these services and monitors their resolution.

Terms of Reference

The Committee's Terms of Reference are available in the corporate governance section on the Company's website electrocomponents.com.

NOMINATION COMMITTEE



Members and attendance

Peter Johnson (Chair)	3/3
Bertrand Bodson	2/3
Louisa Burdett	3/3
Karen Guerra	3/3
Bessie Lee	1/1
John Pattullo	3/3
Simon Pryce	3/3

1. Bessie Lee joined the Nomination Committee with effect from 1 March 2019.

2019 highlights

- Board succession planning and diversity
- Executive talent and succession planning
- Stakeholder engagement process

2020 priorities

- Refreshing the Board
- Adapting the Non-Executive Director induction experience

Dear fellow shareholder

As a Committee, it is our responsibility to ensure that your Board is diverse, inclusive and has the range of experience necessary to provide good governance. It is also our policy to ensure it has the knowledge, expertise and skills which will enable it to support and guide management through the challenges it will face in the coming years as it pursues its ambitious growth plan. We are also responsible for ensuring that the Board is regularly refreshed with new skills sets and capabilities and that we have appropriate succession planning in place.

During the year, John Pattullo expressed his wish to stand down from his position as Senior Independent Director (SID) and as a member of the Board. I would like to thank John for his tremendous service to the Company over the years both as

Chair of the Remuneration Committee and as SID. He was a great support to me as we took the Company through the change of Chief Executive Officer (CEO) to Lindsley Ruth and our strategy. As announced on 20 May 2019, John will step down on 1 September 2019 and David Sleath will take over as SID.

In reviewing our Board, we identified two needs: to find an experienced Non-Executive Director to succeed John Pattullo as SID, and to add a Non-Executive Director with direct and strong experience of developing successful businesses in China. We carried out two separate search processes and have recruited two new Non-Executive Directors: Bessie Lee and David Sleath. Further details about their roles on our Board and the experience that they bring are contained in this Report. I am delighted to welcome them both and look forward to working with them as we continue to grow our business.

Bertrand Bodson continues to make a strong contribution to the Board, especially in the area of our digital strategy. Following his appointment to Novartis, we decided he could continue to make the greatest contribution as a member of the Board and as a result he stepped down on 13 December 2018 from his position as a member of the Audit and Remuneration Committees, although he will still attend where his availability permits. Further details can be found in this Report.

Some time ago, the Committee established a plan for managing succession to me as Chair of the Board. This recognised the value of the effective working relationship I have with Lindsley but equally the need to bring a fresh perspective after a number of years and ensure a smooth transition. Execution of this plan will begin in the coming year with a view to a successor being appointed around autumn 2021. In light of the new 2018 UK Corporate Governance Code (2018 Code) requirements, John Pattullo, as SID, has consulted major shareholders on this plan as my tenure as Chair will reach nine years in October 2019. Those shareholders were supportive of the Board's established plan. The Board will keep this timing under review in light of any changes in circumstances.

The Committee is also responsible for ensuring that the business has the right Senior Management Team (SMT) and that suitable talent exists at lower levels to succeed to senior positions in the future. During the year, as part of our Performance Improvement Plan (PIP), a new organisation structure was introduced to ensure a scalable and effective organisation with clear lines of accountability.

Finally, I will be stepping down as Chair of this Committee in the autumn, once I reach the ninth anniversary of my appointment to the Board. David Sleath, as SID, will take over the role, and I wish him well as he takes the Committee forward.

Peter Johnson

Chair of the Nomination Committee
20 May 2019

Composition of the Committee

The Committee is comprised entirely of Non-Executive Directors and the Board is satisfied that our Non-Executive Directors are completely independent. Details of the skills and experience of the Committee members are given in their biographies on pages 56 and 57.

Activities during the year

Non-Executive Director succession planning and diversity	The Committee reviewed succession planning in light of the new obligations under the 2018 Code relating to chairs' tenures, given that Peter Johnson's tenure would reach the nine-year mark in October 2019. This included instigating searches for two new Non-Executive Directors in order to maintain healthy Board rotation and ensure relevant experience and diversity in both its thinking and composition – appointing a strong and experienced SID to succeed John Pattullo to ensure a thorough and disciplined process is in place for managing the Chair succession process, and reviewing potential candidates from the current Board for such a role.
Executive Director succession planning	The Committee received updates during the year on Executive succession and development plans for internal successors to the CEO, the Chief Financial Officer (CFO) and key members of senior management.
Senior Management Team succession planning	The Committee was regularly updated on the performance of new direct reports to the CEO and other senior hires across the business following implementation of the second phase of PIP.
Stakeholder engagement	Updates under the 2018 Code on stakeholder engagement were reviewed by the Committee. It was agreed that Karen Guerra be the Board's representative for engaging with our employees around the business and taking back to the Board the key themes and questions arising.

Areas of opportunity for new Board members



Board membership

We have carefully reviewed the abilities and capabilities of our Board members to contribute to the activities of the Board and all its Committees throughout the year.

During the year, it became apparent that, due to his new role at Novartis International AG, Bertrand Bodson was unable to attend all the Board and committees meetings, although he continued to provide valuable and strategic focus and insight to what we do as a Company. It was important to us to maintain Bertrand's contribution to Board discussions in order to continue to benefit from his broad knowledge, experience and skills sets (especially in digital), whilst allowing him to satisfy his time commitments to Novartis. After discussion, Bertrand decided to stand down as a member of both the Audit and Remuneration Committees, but remain a member of the Board and the Nomination Committee. He will continue to be invited to the Audit and Remuneration Committees meetings and will attend whenever scheduling permits.

Succession planning

This continues to be a key focus for the Committee and the Board. Recommendations from the Committee for any new appointments – both Executive and Non-Executive – are presented to the Board. Specifications for any new roles are drawn up to ensure that the key competencies required to enhance the composition of the Board are appropriately identified and described in order to assist the relevant search agencies when they are considering candidates.

The Board recognised a need for two different sets of experience at Board level, covering:

- Asia, ideally with broad experience in China, one of the Group's key strategic markets; and
- a successor to our existing SID who could potentially both strengthen succession options for the Chair and ensure a structured and disciplined process was in place to oversee that succession.

As a result, the Committee commenced a search for two new Non-Executive Directors covering the required experience. These two searches remained separate from each other and two different search firms were engaged: MWM Consulting for the Asia experience, and Russell Reynolds Associates for the SID role. Both firms are signatories to the Voluntary Code of Conduct to address gender diversity on corporate boards and best practice for the related search processes.

For each Non-Executive Director role, a brief was drafted which reiterated to the search firms the need to consider diversity, including gender and ethnicity, when drawing up their shortlists of candidates.

Bessie Lee joined us on 1 March 2019. Bessie developed an impressive track record in one of the world's leading advertising agencies, WPP, building her career in Taiwan and then in mainland China. She brings extensive strategic experience for our Asia Pacific offering, having worked with, amongst others, Alibaba to provide marketing and fulfilment services to its customers and a significant joint venture with the largest privately held provider of mobile data in China. Bessie also brings in-depth experience of the world of eCommerce / digital media as she is a frequent media commentator, blogger and international speaker.

As announced on 20 May 2019, John Pattullo will be stepping down from his role as SID and as a member of the Board on 1 September 2019. We are very pleased that David Sleath has agreed to join the Board. David is chief executive officer of SEGRO plc and was a board member of the European Public Real Estate Association and the British Property Federation. As chief executive officer, he has led SEGRO through a challenging period of restructuring and turnaround, and has placed the company at the heart of the internet retail and eCommerce supply chain in Europe. David also brings relevant experience in distribution and valuable insight into the dynamics of service-led business models, having been the senior independent director at Bunzl plc.

David will assume the role of SID on John's departure and will then succeed Peter as Chair of the Nomination Committee when Peter steps down in the autumn.

All new appointments to the Board will receive an induction in respect of their role. This typically includes meetings with the SMT and senior managers from around the business, as well as with our corporate advisors. A series of visits to customers, presentations from key business areas, tours of our distribution centre, and visits to our overseas businesses are also arranged. We provide technical training on legal and governance matters, including the UK-listed company environment for our overseas appointees, as well as providing any other relevant training. Each Board member has regular and direct access to the Company Secretary and his team.

This year, we will be adapting this induction process to give further support to Bessie as it will be her first UK-listed company role.

Senior Management Team

During the year, the Committee increased its focus on gaining an understanding of the management resource available to provide potential internal successors to the CEO and the CFO to ensure that the Company is recruiting and developing people sufficiently to support its aspirations. As part of this, the Committee also received regular updates on the performance and development of emerging talent further down the pipeline following the Group's reorganisation under PIP which had been carried out during the year.

Stakeholder engagement

As well as the changes under the 2018 Code in relation to a chair's tenure, the Committee also considered the new requirements around stakeholder engagement, in particular how best to further improve engagement with our workforce.

The Committee agreed that Karen Guerra would be the most appropriate Non-Executive Director to undertake this responsibility, and we are designing an approach that would be efficient and useful to both the Board and our employees. A number of initiatives are underway and we will report on these further in 2020.

Committee evaluation

The results from the evaluation, which was conducted internally this year, evidenced that the Committee continues to operate in a way that ensures that the Board is refreshed and has an appropriate balance of skills, knowledge and experience. We believe that this has been demonstrated by the search for, and appointment of, two new Non-Executive Directors to cover our needs in relation to Asia Pacific and distribution. The results of the evaluation further recognised that Peter Johnson still acts independently, thereby supporting the plans we have in place for managing his succession.

Diversity

The Committee maintains its Policy Statement emphasising its adherence to the Group Diversity Policy (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 Policy states that it is in the best interests of the Company to ensure balance and diversity at Board level, and strongly encourages recruitment consultants to widen search parameters so that a diverse range of candidates may be considered. The Committee actively seeks to increase both gender and ethnic diversity whilst recognising the importance of inherent diversity of experience and approach, and ensuring we recruit the best possible person for any given role.

NOMINATION COMMITTEE REPORT CONTINUED

We continue to have strong international diversity within our SMT, which reflects the global nature of our business. More information on activities within the Group to promote diversity is given in the Strategic Report on pages 48 and 49.

Terms of appointment

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

Details of the Company's policy on Executive Directors' service contracts and terms of appointment for Non-Executive Directors are set out in the Directors' Remuneration Report on page 96.

Non-Executive Directors are normally expected to serve for six years on the proviso that they maintain independence, can honour their time commitments and meaningfully contribute to the Board's discussions and its activities. They may be invited to serve longer but this would be subject to rigorous review by, and the recommendation of, the Committee as well as at the discretion of the Board. Service beyond nine years is considered on a purely exceptional basis and if such extension can be proven to be in the best interests of both the Board and the Company, and to assist in any necessary succession planning.

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

Terms of Reference

The Committee's Terms of Reference are available in the corporate governance section on the Company's website **electrocomponents.com**.

REMUNERATION COMMITTEE



Members and attendance

Simon Pryce (Chair)	6/6
Bertrand Bodson	3/4¹
Louisa Burdett	6/6
Karen Guerra	6/6
John Pattullo	6/6

1. Bertrand Bodson stood down from the Committee with effect from 13 December 2018.

2019 highlights

- Strong 2019 delivery and effective remuneration outcomes
- Review and enhancement of Remuneration Policy
- Revised approach to the Long Term Incentive Plan (LTIP)
- Established new all employee share plans to increase share ownership across the global workforce

2020 priorities

- Communicate and implement the new Remuneration Policy
- Launch enhanced LTIP
- Broaden global employee share ownership
- Monitor evolving governance practice

Dear fellow shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for 2019, my first as Committee Chair.

The last financial year saw good progress and pleasingly, our remuneration policies and practices over the past three years have supported the effective delivery of our strategy, with both management and shareholder outcomes well aligned.

It was a busy year for the Committee: we saw a number of changes in the Senior Management Team and undertook key activities including reviewing and updating our Remuneration Policy and enhancing our LTIP.

Committee changes in the year

There were two changes to the Committee during the year. John Pattullo stepped down as Chair in July to concentrate on his role as Senior Independent Director, although he remains a member of the Committee. I'd like to thank John for his exceptional efforts, his excellent chairing of the Committee since 2015, for supporting a seamless handover and for his very effective continuing input. Following a change in Bertrand Bodson's executive commitments, he stepped down from the Committee in December 2018. Further details can be found in the Nomination Committee report on page 76.

Key activities during 2019

In addition to its usual activities, the Committee focused on:

- The review of the Remuneration Policy
- Consulting with key stakeholders
- Developing an enhanced LTIP policy to support the next stage of business growth
- Increasing share ownership across the global workforce through new all employee share plans (summaries of these are included on page 10 to 13 of the Notice of Annual General Meeting (AGM))
- A broad review of pay policy for all employee groups across the organisation
- Evolving our governance practice to reflect new legislation, including the 2018 UK Corporate Governance Code and emerging best practice

Performance during the year

The financial year 2019 was another year of good progress. The business continued to deliver strong financial results. Like-for-like revenue growth was 8.3%, adjusted operating profit growth was 24.4%, and adjusted earnings per share (EPS) growth was 30.3%. Return on capital employed (ROCE) was 27.7%. The Group's rolling 12-month Net Promoter Score, a key performance metric for customer satisfaction, improved by a further 5.1%.

Management also delivered against a number of key strategic objectives, including:

- Like-for-like revenue growth well ahead of the market
- Good gross and operating profit margin development
- Successful bolt-on acquisitions of IESA in May 2018 and Monition in January 2019, strengthening our value-added solutions proposition
- Continued cultural change and regional restructuring

2019 Remuneration outcomes

The Committee assessed business performance against targets for the annual bonus and determined that 68.0% of the maximum annual bonus opportunity should be awarded. Full details of the annual bonus targets and performance are disclosed on page 91.

DIRECTORS' REMUNERATION REPORT CONTINUED

The 2016 LTIP exceeded maximum performance on the total shareholder return (TSR), ROCE and adjusted EPS performance conditions, as well as the adjusted EPS multiplier. Therefore 100% of the award will vest. Further details regarding the performance targets and how they were met are given on page 92.

Effective from 1 June 2019, the Committee has agreed salary increases of 2.9% for both Executive Directors in line with the average increase for our UK workforce.

The Committee reviewed these remuneration outcomes and determined that they are appropriately aligned to business performance and so no adjustments, positive or negative, were necessary.

Review and enhancements to remuneration policy

With the business having met a number of its strategic objectives, including delivery of operational improvement, increased market share and positive returns on investment, and having grown significantly in scale, the Committee reviewed and enhanced the Remuneration Policy and practice to support the next stage of business growth and to reflect evolving best practice. Key objectives of the review were:

- To ensure that the Group provides a remuneration structure which continues to motivate and drive performance to the next level
- Provide simplicity of design
- Deliver a higher mix of long-term performance related pay
- Enhance alignment with strategy and shareholder interests through increased long-term incentive opportunity but only for delivering stretching targets
- Continue to respond to changes in governance requirements and developing best practice

Whilst the Committee felt that the remuneration structure and policy generally remained fit for purpose, some enhancements were appropriate to reflect governance and developing best practice and to ensure that the Remuneration Policy continues to support long-term shareholder value creation. The main changes are as follows:

- Reducing the pension contribution for new executive directors to be in line with the wider workforce (10.5% of salary versus the current rate of 20% of salary). For the current Executive Directors, it remains our position to recognise the contractual agreements in place regarding their pension arrangements. The Committee will, however, keep this under review and will monitor market practice as it develops over the next few years and make changes to the Remuneration Policy or our practice as required
- Increasing the shareholding requirement from 200% to 250% of salary for the Chief Executive Officer (CEO) and from 100% to 210% of salary for the Chief Financial Officer (CFO), further supporting the alignment of Executive Director interests with those of shareholders
- Implementing a post-employment shareholding guideline
- Changes to the LTIP scheme:
 - Simplification of the LTIP and removal of the multiplier award
 - Re-balancing of the performance metrics for the LTIP. Awards will be subject to two measures: an adjusted EPS metric (50% of the award, driving profitable growth) and relative TSR (50% of the award against a bespoke group of international peers). We will retain ROCE but as a plan underpin

– Increasing the maximum LTIP opportunity to 250% of salary for the CEO (previously 225%) and 210% of salary for the CFO (previously 187.5%). These levels will be the maximum allowable under the Remuneration Policy, but the Committee will consider the appropriate grant for each Executive Director annually, taking into account both Group and individual performance. These increases are considered appropriate to ensure alignment of interests between management and long-term performance during the next phase of business growth. The Committee has ensured that the proposed targets for awards have been calibrated appropriately, with the increased award levels only being available for exceptional performance, taking into account the internal business plan, consensus forecasts and strong performance over the past three years

The Committee consulted widely with the Group's key investors and shareholder bodies during the year which helped develop and enhance our Remuneration Policy. As part of this process we discussed in particular a range of approaches for measures, targets and the size of the maximum LTIP opportunity.

We received a range of feedback, as a result of which the Committee modified its proposals, principally in relation to the absolute LTIP opportunity. The final proposals which are set out below have broadly received positive feedback and support. On behalf of the Committee, I would like to thank shareholders for their time and for helping us to enhance our Remuneration Policy and LTIP to support long-term strategic delivery.

The proposed Remuneration Policy, which subject to shareholder approval, is intended to apply from the 2019 AGM (2019 Remuneration Policy), is set out on pages 81 to 88.

Reward approach for the year ending 31 March 2020

The Committee has agreed that for 2020 the bonus plan will continue with the same structure as used in 2019, which has worked well in supporting the transformational change.

The Committee has established a bespoke TSR peer group for the LTIP July 2019 awards (2019 LTIP) which is made up of 16 of the Group's global peers as set out on page 89.

The adjusted EPS targets for the 2019 LTIP awards have been set by the Committee at a very stretching level. The threshold target of 124p represents a 43.5% growth from the 2016 LTIP actual performance, and the maximum target of 150p represents 73.6% growth. The threshold target is 26.5% higher than that in the 2018 awards and to achieve the maximum target would require a financial performance significantly in excess of internal and external forecasts. The Committee considers that these very challenging targets are appropriate given the proposed increases to LTIP opportunities for Executive Directors.

The ROCE underpin for the 2019 LTIP awards will be set at an average of 20% over the performance period. If this underpin is not met the Committee will review the formulaic vesting outcome and will have the discretion to reduce vesting to reflect the performance delivered.

The Committee is very pleased with the outcome of the Remuneration Policy review and particularly the changes to the LTIP. We will of course continue to maintain a dialogue with shareholders and keep market practice and governance developments under review to ensure our reward structure and Remuneration Policy remain fit for purpose.

Simon Pryce

Chair of the Remuneration Committee
20 May 2019

DIRECTORS' REMUNERATION POLICY

The 2016 Remuneration Policy was approved at the AGM held on 20 July 2016 and has applied from that date. How we have applied the 2016 Remuneration Policy is set out on pages 90 to 94.

The Directors' 2019 Remuneration Policy set out below is proposed for shareholder approval at the AGM to be held on 17 July 2019. Subject to shareholder approval, the 2019 Remuneration Policy will take effect from that date. The differences between the 2019 Remuneration Policy and the Directors' Remuneration Policy approved at the Company's AGM held on 20 July 2016 are:

- Reduced pension opportunity for newly appointed executive directors to be in line with the wider workforce
- Simplification of LTIP performance measures to be aligned with the go-forward strategy

- Increased LTIP award levels to ensure the package is focused on long-term value creation. Maximum award levels will be increased to 250% of salary. See implementation of the 2019 Remuneration Policy on pages 89 and 90 for proposed award levels in respect of 2020
- Increased share ownership guidelines and implementation of a post-employment shareholding requirement to strengthen alignment with shareholders
- Other minor changes to clarify the policy / reflect developments in market practice since the approval of the 2016 Remuneration Policy

Further discussion of these changes can be found in the Chair's Letter on pages 79 and 80.

Executive Director 2019 Remuneration Policy table

Component: Base salary	
Objective	To provide a broadly market-competitive level of fixed pay reflecting the scale and complexity of our business enabling us to attract and retain global talent.
Operation	Generally reviewed each year, with increases normally effective from 1 June. Salaries are set by the Committee to reflect factors which include the scale and complexity of the Group, the scope and responsibilities of the role, the skills and experience of the individual, and the Committee's assessment of the competitive environment including consideration of appropriate market data for companies of broadly similar size, sector and international scope to Electrocomponents plc.
Opportunity	There is no prescribed maximum salary. Salaries effective at the end of the year under review (and changes occurring in the following year) are disclosed in the Annual Report on Remuneration. Base salary increases are applied in line with the outcome of the annual review. Factors that are considered include: increases for other employees, changes in role and responsibilities, market levels, and individual and Company performance. Salary increases will not normally be materially different to those given to other senior managers in the Group.
Performance measures	Not applicable.
Component: Pension	
Objective	To provide a level of retirement benefit that is competitive in the relevant market.
Operation	Directors may participate in the Defined Contribution section of the Electrocomponents Group Pension Scheme (Scheme), or receive a cash supplement in lieu. The Defined Benefit section of the Scheme is closed to new entrants.
Opportunity	A maximum contribution or cash supplement of 20% of base salary for current Executive Directors. Base salary is the only element of remuneration that is pensionable. Newly appointed Executive Directors will have a maximum opportunity in line with the wider workforce. The current maximum opportunity for the wider workforce is 10.5% of base salary.
Performance measures	Not applicable.

DIRECTORS' REMUNERATION REPORT CONTINUED

Component: Benefits	
Objective	To provide benefits in line with the relevant market.
Operation	Executive Directors are provided with a company car (or a cash allowance in lieu thereof), fuel allowance and medical insurance. Other benefits may be provided or introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director.
Opportunity	<p>Whilst there is no prescribed maximum, Executive Directors do not normally receive total taxable benefits exceeding 10% of salary and it is not currently 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 where appropriate (for example, relocation expenses or expatriation allowance) or in circumstances where factors outside the Company's control have changed materially (for example, market increases in insurance costs).</p>
Performance measures	Not applicable.
Component: Annual bonus	
Objective	To focus Executive Directors on achieving demanding annual targets relating to Company performance. The deferral element ensures focus on our longer-term business goals.
Operation	<p>Performance targets are normally set at the start of the financial year taking into account the annual targets agreed by the Board. After the end of the financial year, the Committee determines the extent to which these targets have been achieved.</p> <p>A proportion of the total bonus payment (currently one-third) is delivered in the form of deferred shares in the Company under the Deferred Share Bonus Plan (DSBP). These shares normally vest after a period of two years, subject to continued employment. Dividend equivalents may be payable on shares which vest and will be delivered in the form of shares. The remainder is paid in cash after the year end. Malus and clawback provisions apply to all elements of the annual bonus (see notes to this table). The Committee will operate the deferred bonus in accordance with the rules of the plan.</p>
Opportunity	<p>Maximum opportunity in respect of a financial year:</p> <ul style="list-style-type: none"> • 150% of base salary.
Performance measures	<p>Payment is determined by reference to performance, assessed over one financial year based on financial and strategic performance measures which the Committee considers to be aligned to the annual strategy and the creation of shareholder value. Such measures may include:</p> <ul style="list-style-type: none"> • Revenue growth • Adjusted profit before tax (PBT) • Cash flow • Net Promoter Score (NPS) <p>The weightings of these performance measures are normally agreed by the Committee at the start of each year, according to annual business priorities. The overall framework will normally be weighted towards financial measures of performance. The Committee retains discretion to use different or additional measures and weightings to ensure that the bonus framework appropriately supports the business strategy and objectives for the relevant year.</p> <p>Before any bonus may pay out, a threshold level of adjusted PBT must be achieved.</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. The Committee also has the discretion to adjust targets for any exceptional events that may occur during the year. Any such discretion will be within the limits of the plan, and will be fully disclosed in the relevant Annual Report on Remuneration.</p> <p>For threshold performance, the bonus payout will normally be nil, but in no circumstances will it exceed 10% of the maximum opportunity. For target performance, the bonus payout will typically be 50% of the maximum opportunity.</p>

Component: Long Term Incentive Plan (LTIP)

Objective	To link the largest part of Executive Director remuneration with long-term business performance. Performance metrics are aligned with shareholders' interests, and the holding period ensures a focus on sustainable performance.
Operation	<p>A conditional award of shares (Award) may be made annually under the Company's LTIP, subject to approval by shareholders at the AGM in 2019.</p> <p>Awards vest after a performance period of at least three years, subject to the satisfaction of the performance measures and to continued employment with the Group. Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares.</p> <p>There will be a further holding period of two years following vesting. Malus and clawback provisions apply (see notes to this table).</p> <p>The Committee will operate the LTIP in accordance with the rules of the plan.</p>
Opportunity	The maximum annual award size under the LTIP in respect of a financial year, will be 250% of salary.
Performance measures	<p>Vesting is determined by reference to performance assessed over a period of at least three years, based on performance measures which the Committee considers to be aligned with the delivery of strategy and long-term shareholder value.</p> <p>The performance measures for Awards are determined annually and will include metrics linked to profitability, shareholder value and capital efficiency.</p> <p>The performance measures for Awards in respect of 2020 are as follows:</p> <ul style="list-style-type: none"> • Adjusted earnings per share (EPS) – 50% • Comparative total shareholder return (TSR) – 50% • The LTIP will also be subject to a return on capital employed (ROCE) underpin. If the underpin is not met at the end of the performance period, the Committee retains the discretion to review the formulaic level of vesting and consider whether any reduction should be applied. <p>Additionally, for the Award to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance. The Committee has discretion to adjust the formulaic LTIP outcomes to ensure the outcome is aligned with value creation for shareholders and that it is a fair reflection of the Company's performance. The Committee also has discretion to adjust targets for any exceptional events that may occur during the performance period.</p>

Component: All employee share plans

Objective	To encourage the ownership of Electrocomponents plc shares.
Operation	Executive Directors will be eligible to participate in all employee share plans on the same basis as other employees.
Opportunity	Maximum opportunity will be in line with other employees and HMRC approved limits, where appropriate.
Performance measures	Not applicable.

Component: Share ownership

Objective	To align Executive Director and shareholder interests and reinforce long-term decision making.
Operation	Executive Directors are expected to retain at least 50% of any share awards that vest (net of tax) in order to help build up the following required personal holdings of Electrocomponents plc shares:
	<ul style="list-style-type: none"> • CEO: 250% of salary • CFO: 210% of salary
Opportunity	Not applicable.
Performance measures	Not applicable.

Component: Post-employment shareholdings

Objective	To align Executive Director and shareholder interests after they have left the Group.
Operation	Unvested LTIP awards will continue to the normal vesting date (subject to leaver status).
	Once LTIP awards vest the two year holding period will continue to apply post-employment.
Opportunity	Not applicable.
Performance measures	Not applicable.

Notes to the 2019 Remuneration Policy table

The Committee reserves the right to make any remuneration payments and / or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the 2019 Remuneration Policy, where the terms of the payment were agreed:

- i. before the 2019 Remuneration Policy set out above came into effect, provided that the terms of the payment were consistent with the Directors' Remuneration Policy (approved by shareholders in accordance with section 439A of the Companies Act) in force at the time they were agreed; or
- ii. at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

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

Malus and clawback provisions

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

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

Performance measure selection and approach to target setting

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

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

Differences from remuneration policy for other employees

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

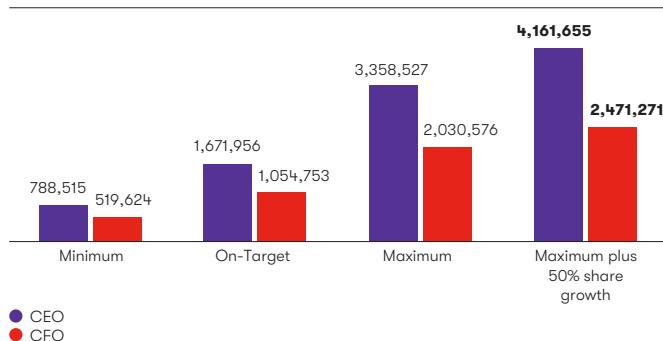
All Executive Directors and senior managers are eligible to participate in annual bonus schemes. Opportunities and performance measures vary by organisational level, geographical region and an individual's role. Other members of the Senior Management Team (SMT) are eligible to participate in the DSBP and the LTIP on similar terms. Differences apply where appropriate (e.g. in the grant levels awarded). Awards made under the LTIP are subject to performance conditions and vest after three years subject to continued employment. Below SMT level, managers may be invited to participate in the LTIP. All employees are eligible to participate in the Company's all employee share plans on the same terms as Executive Directors.

The pension opportunity for newly appointed Executive Directors is aligned with the wider workforce.

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 four different performance scenarios: ‘Minimum’, ‘On-Target’, ‘Maximum’ and ‘Maximum plus 50% share price growth’.

Executive Director performance scenarios (£)



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

The ‘On-Target’ scenario reflects fixed remuneration as above, plus target bonus payout (50% of maximum) and LTIP threshold vesting at 25% of the maximum award level.

The ‘Maximum’ scenario reflects fixed remuneration, plus full payout under all incentives (150% of salary under the annual bonus, and 250% and 210% of salary under the LTIP for the CEO and CFO, respectively).

The ‘Maximum plus 50% share price growth’ scenario reflects fixed remuneration, plus full payout under all incentives (150% of salary under the annual bonus, and 250% and 210% of salary under the LTIP for the CEO and CFO, respectively), plus 50% share price growth.

For simplicity, any entitlement to dividend equivalents is not included.

Approach to executive director recruitment remuneration

External appointment

In cases of hiring or appointing a new Executive Director from outside the Company, the Committee may make use of all components of remuneration set out in the Executive Director 2019 Remuneration Policy table on pages 81 to 88 of this Annual Report on Remuneration, subject to the limits contained in that table.

In determining the appropriate remuneration structure and level for the appointee, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of shareholders. The Committee may also need to make an award of shares or cash payment in respect of a new appointment to buy out remuneration arrangements forfeited on leaving a previous employer, over and above the approach and award limits outlined

in the Remuneration Policy table, availing itself of Listing Rule 9.4.2R if necessary. In determining an appropriate structure for any buyout awards, the Committee will consider all relevant factors including the form and time horizon of the forfeited remuneration, any performance conditions attached to the awards being bought out, and the likelihood of those conditions being met. Any such buyout will have a fair value which, in the view of the Committee, is no greater than the fair value of the awards forfeited.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the 2019 Remuneration Policy will be applied consistently to that for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company may choose to continue to honour these arrangements even if there are instances where they would not otherwise be consistent with the prevailing Executive Director 2019 Remuneration Policy at the time of promotion.

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

The Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Committee on a case-by-case basis taking into account the circumstances of the termination. Termination payments

will also take into account any statutory entitlement at the appropriate level, to be considered by the Committee on the same basis. When the Committee believes that it is essential to protect the Company's interests, additional arrangements may be entered into (for example, post-termination protections above and beyond those in the contract of employment) on appropriate terms. The Committee may also agree to pay legal fees and outplacement costs or other such costs on behalf of the Directors.

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

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

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

	Reasons for cessation vesting	Calculation of vesting / payment	Timing of vesting / payment
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 resignation or termination with cause)	The Committee determines whether, and to what extent, outstanding awards vest based on the extent to which performance conditions have been achieved (normally over the full performance period). Awards are also prorated to reflect the proportion of the performance period worked, unless the Committee decides otherwise	At the normal vesting date, unless the Committee decides that awards should vest on the date of cessation of employment, in which case the Committee may determine to what extent the performance conditions have been achieved in such manner as it considers reasonable
	Death	The Committee has discretion to disapply performance conditions and waive time prorating	As soon as possible after death
	Change of control	Awards would vest to the extent that any performance conditions have been satisfied. Awards would also be reduced pro rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate	On change of control or, where awards are exchanged, up to 14 days after change of control

External appointments

Executive Directors are permitted to take 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 trades 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 pay increases applying in relevant markets across the rest of the business 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 the remuneration policy. The vast majority of shareholders continue to express support for remuneration arrangements at Electrocomponents plc. The Chair of the Committee is always available to shareholders, should they wish to discuss remuneration arrangements.

The Committee keeps the Remuneration Policy under regular review, to ensure it continues to reinforce the Group's long-term strategy and aligns Executive Directors' interests with those of shareholders. The Committee consulted widely with key investors and shareholder bodies and took the feedback it received into account in developing the proposed 2019 Remuneration Policy. It is the Committee's intention that key shareholders will be consulted before any significant changes to remuneration policy are made and in the event that it is considering lowering any of the LTIP targets. It is the Committee's intention to consult again with shareholders in three years' time, before the expiry of the proposed 2019 Remuneration Policy.

DIRECTORS' REMUNERATION REPORT CONTINUED

Chair and Non-Executive Director remuneration policy

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

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

Approach to Non-Executive Director recruitment remuneration

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

Component: Fees	
Objective	To attract and retain non-executive directors of the highest calibre with broad commercial experience relevant to the Group.
Operation	<p>The fees paid to Non-Executive Directors are determined by the Board of Directors as a whole and the fee paid to the Chair is determined by the Remuneration Committee.</p> <p>Non-Executive Directors and the Chair receive a single base fee. Additional fees may be payable for additional Board duties, such as acting as Chair of the Audit, Nomination, and Remuneration Committees, and to the Senior Independent Director (SID).</p> <p>Fee levels are normally reviewed annually, with any adjustments made typically effective from 1 April. Fees are reviewed by taking into account best practice and appropriate market data including fee levels at other companies of broadly similar size, sector, and international scope to Electrocomponents plc. Time commitment and responsibility are also taken into account when reviewing fees.</p> <p>The Chair and the Non-Executive Directors may be provided with accommodation and travel expenses in order to carry out their duties. This may include the settlement by the Company of any associated tax liabilities in relation to these expenses. Other benefits arising from the performance of duties may be provided.</p>
Opportunity	<p>Aggregate ordinary fees for Directors are limited to £800,000 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>
Performance measures	Not applicable.

ANNUAL REPORT ON REMUNERATION

Implementation of the 2019 Remuneration Policy for the year ending 31 March 2020

Base salary

Base salaries for the Executive Directors effective from 1 June 2019 (with the prior year comparator and the change) are shown below:

	Salary effective 1 June 2019	Salary effective 1 June 2018	Change
Lindsley Ruth	£642,503	£624,396	2.9%
David Egan	£419,709	£407,880	2.9%

A salary increase averaging 2.9% across the Group was awarded at the annual pay review, effective 1 June 2019.

Benefits

Benefits will be provided in accordance with the approved 2019 Remuneration Policy.

Pension

The Executive Directors will receive a cash contribution in lieu of pension of 20% of base salary.

Performance-related annual bonus

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

Performance measure	Weighting
Like-for-like Group revenue growth	30%
Like-for-like RS PRO revenue growth	10%
Adjusted PBT	30%
Adjusted free cash flow	15%
Group NPS	15%

In accordance with the 2019 Remuneration Policy, before any bonus may be paid, a threshold level of adjusted PBT must be achieved.

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 as they may reveal information that damages our competitive advantage. Accordingly they will not be disclosed in advance but, to the extent the Directors consider them to no longer be sensitive, are disclosed retrospectively in the Annual Report on Remuneration for the relevant year.

LTIP

Lindsley Ruth and David Egan will receive awards under the new LTIP framework with a face value of 250% and 210% of base salary respectively, subject to shareholder approval of the 2019 Remuneration Policy at the forthcoming AGM.

Vesting of these awards will be determined in accordance with the following performance targets measured over the three years to 31 March 2022:

Measure	Weight	Threshold (25% of Base)	Maximum (100% of Base)
Adjusted EPS (cumulative 2020, 2021, 2022) ¹	50%	124p	150p
TSR (vs Industrial / Electronic peer group ²) ¹	50%	Median	Upper Quartile
ROCE	underpin	Set at 20%. If the underpin is not met, the Remuneration Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting.	

1. Straight-line vesting between measurement points.

2. Comprises ABB, Arrow Electronics, Avnet, Bunzl, Datwyler, Essentra, Fastenal, Ferguson, MSC Industrial Supply, Rexel, Rockwell, Schneider, Siemens, TE Connectivity, WESCO International and WW Grainger.

DIRECTORS' REMUNERATION REPORT CONTINUED

The TSR group has been reviewed and now includes a bespoke group of global Industrial and Electronic peers. This group more closely reflects the Company's increasingly global operations and shareholder base.

The underpin has been set at this level because 20% ROCE sustained over the long-term would still be considered by the Committee to be good performance. The implementation on 1 April 2019 of International Financial Reporting Standard 16 'Leases' is expected to reduce ROCE by approximately 1.6% (see Note 1 on page 112). Performance below the underpin level would not automatically result in zero vesting, but would raise questions for the Committee.

Following vesting, the 2019 awards will be subject to a two-year holding period.

SAYE

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

UK SIP

In the event the UK SIP is approved by shareholders at the forthcoming AGM, the Executive Directors will be able to participate in any UK SIP once launched.

Implementation of Chair and Non-Executive 2019 Director Remuneration Policy for the year ending 31 March 2020

In recognition of the strong work of the Chair over the last year, the Chair's fee increased from £260,000 to £270,000 from 1 April 2019. Non-Executive Director fees have increased from £55,000 to £60,000 from 1 April 2019 in line with market practice.

Implementation of Executive Director 2016 Remuneration Policy for the year ended 31 March 2019

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 2019 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

	2019	2018
Lindsley Ruth		
Base salary	£619,441	£589,719
Taxable benefits ¹	£20,811	£25,996
Annual bonus ²	£655,353	£803,687
LTIP ³	£2,805,676	£2,872,585
Pension benefit ⁴	£123,888	£117,944
Total	£4,225,169	£4,409,931
David Egan		
Base salary	£405,900	£394,167
Taxable benefits ¹	£15,973	£14,443
Annual bonus ²	£428,103	£535,194
LTIP ³	£1,636,644	–
Pension benefit ⁴	£81,180	£78,833
Total	£2,567,800	£1,022,637

1. Taxable benefits consist of medical insurance, company car (or allowance) and personal fuel allowance.

2. Annual bonus comprises both the cash annual bonus for performance during the year and the value of the deferred share element on the date of deferral, where relevant. The deferred share element (one-third of the figure shown in the table above) is deferred for two years. See 'Annual bonus in respect of performance for the year ended 31 March 2019' on page 91 for further details.

3. The LTIP value for 2019 shows the value of LTIP awards made in July 2016 which will vest in June 2019. The value on vesting on the LTIP performance award has been calculated using the share price of 552.30p being the average share price over the three months to 31 March 2019 and will be updated in the 2020 Annual Remuneration Report based on the actual share price on the date of vesting. The figure includes a dividend equivalent payment of £191,022 for Lindsley Ruth and £111,429 for David Egan in respect of the shares vesting. £1,568,177 of the total value for Lindsley Ruth and £914,770 of the total value for David Egan is in respect of the share price growth and dividends over the period since grant, based on the assumed share price of 552.30p.

The LTIP value for 2018 shows the value of LTIP awards made in July 2015 which vested on 7 June 2018. Only Lindsley Ruth held LTIP awards made in 2015. The value on vesting of the LTIP performance award has been restated based on the share price on the date of vesting of 709.34p. The figure includes a dividend equivalent payment of £143,506 in respect of the shares vesting. £2,047,713 of the total value is in respect of the share price growth and dividends over the period between grant and vesting.

4. Each of the Executive Directors received the amounts shown above (20% of base salary) as a cash supplement in lieu of pension.

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

For the year ended 31 March 2019, the Chair's fee was £260,000 per annum. This was increased in 2018 from £220,000 in recognition of the continued increased scale and performance of the business.

The Non-Executive Directors received base fees of £55,000 per annum, which were increased from £50,000 in 2018. John Pattullo received an additional fee of £10,000 per annum for his responsibilities as SID and, up until 19 July 2018, received an additional fee of £10,000 per annum for his role as Chair of the Remuneration Committee. With effect from 19 July 2018, Simon Pryce received an additional fee of £10,000 per annum for taking on the role of Chair of the Remuneration Committee after John stepped down. Louisa Burdett received an additional £10,000 as Chair of the Audit Committee.

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2019 and the prior year:

	Total Fee	
	2019	2018
Peter Johnson	£260,000	£220,000
Bertrand Bodson	£55,000	£50,000
Louisa Burdett	£65,000	£58,333
Karen Guerra	£55,000	£50,000
Bessie Lee ¹	£4,583	—
John Pattullo ²	£68,083	£67,500
Simon Pryce ²	£62,083	£50,000

1. Bessie Lee joined the Board on 1 March 2019.

2. John Pattullo ceased to be Chair of the Remuneration Committee on 19 July 2018. Simon Pryce took over his role as Chair of the Remuneration Committee from this date.

Incentive outcomes for the year ended 31 March 2019 (audited)

Annual bonus in respect of performance for the year ended 31 March 2019

The performance measures attached to the 2019 annual bonus plan were like-for-like Group revenue growth (30%), like-for-like RS PRO revenue growth (10%); adjusted PBT (30%); adjusted free cash flow (10%); and Group NPS (20%). Target performance was calibrated to deliver a bonus of 75% of salary for the Executive Directors, with bonus payments worth up to 150% of salary for achieving stretch performance targets.

Based on the Group's performance in the year ended 31 March 2019, against targets set at the start of the year for each performance measure, the Committee confirmed a bonus outcome of 68.0% of maximum for each of the Executive Directors. Full details of the target ranges and performance against each of the metrics, are as follows:

Measure and weighting	Performance level	Payout (% of max bonus)		Actual performance	Earned bonus (% of max)
		Target	Threshold		
Like-for-like Group revenue growth (30% weighting)	Threshold	0%	6.4%	8.3%	14.3%
	Target	15%	8.4%		
	Maximum	30%	10.4%		
RS PRO revenue growth (10% weighting)	Threshold	0%	8.4%	11.6%	8.0%
	Target	5%	10.4%		
	Maximum	10%	12.4%		
Adjusted PBT (30% weighting) ¹	Threshold	0%	£195.9m	£214.5m	25.7%
	Target	15%	£205.9m		
	Maximum	30%	£217.9m		
Adjusted free cash flow (10% weighting) ¹	Threshold	0%	£115.6m	£102.0m ²	0%
	Target	5%	£125.6m		
	Maximum	10%	£135.6m		
Group NPS (20% weighting)	Threshold	0%	51.4	54.0	20.0%
	Target	10%	52.6		
	Maximum	20%	53.8		
				Total	68.0%

1. The targets for adjusted PBT and adjusted cash flow were amended to include the respective post-acquisition targets for IESA. Monition was not adjusted for as the impact is immaterial.
2. In 2019 adjusted free cash flow was £84.5 million. This was adjusted to exclude the additional capital expenditure on the Allied distribution centre expansion.

One-third of the annual bonus award will be deferred into shares under the DSBP which vest on the second anniversary of grant subject, normally, to continued employment. The deferred shares have not been awarded at the date of this Annual Report on Remuneration. 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

2016 LTIP awards vesting

An award of shares was made under the LTIP in July 2016 to Lindsley Ruth over 473,412 shares and to David Egan over 276,157 shares. These awards included a base award which was subject to vesting based 50% on cumulative adjusted EPS, 25% on the Company's relative TSR versus the Industrial / Electronics peer group, and 25% on restated ROCE over the three financial years ended 31 March 2019. The awards also included a multiplier of up to 1.5 times the base award based on additional EPS targets.

Performance targets, and actual performance against these, is summarised in the table below:

Measure ¹	Weight	Base LTIP targets			
		Threshold (25% of base)	Maximum (100% of base)	Performance achieved	Vesting (% of maximum)
Adjusted EPS (cumulative 2017, 2018, 2019)	50%	44p	50p	86.4p	50%
TSR (vs Industrial / Electronic peer group)	25%	Median	Upper quartile	Above upper quartile	25%
ROCE (average over 2017, 2018, 2019)	25%	16%	22%	26.1%	25%
Total base LTIP vesting					100%

	Threshold (1x base vesting)	Maximum (1.5x base vesting)	Performance achieved	Vesting (% of maximum)
Adjusted EPS Multiplier (cumulative 2017, 2018, 2019)	52p	55p	86.4p	50%
Total vesting				150%

- Straight-line vesting between measurement points (Base LTIP and Multiplier). Vested awards will be subject to a two-year holding period.

Following the end of the performance period, the Committee considered the level of vesting in the context of the value creation for shareholders and the underlying financial performance of the Company over the performance period and considered the level of vesting to be appropriate.

Scheme interests awarded during the year ended 31 March 2019 (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 2018):

	Lindsley Ruth	David Egan
Basis of award	One-third of earned bonus	One-third of earned bonus
Number of shares awarded	37,336	24,863
Award date face value (717.53p per share) ¹	£267,897	£178,399
Performance conditions	None	None

- The awards were made using the average of the share prices for the three dealing days immediately preceding 7 June 2018, the date the shares were awarded.

LTIP

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

	Lindsley Ruth		David Egan	
	Base LTIP	Multiplier	Base LTIP	Multiplier
Basis of award (% of base salary)	150%	75%	125%	62.5%
Number of shares awarded	130,530	65,265	71,056	35,528
Award date face value (717.53p per share) ¹	£936,592	£468,296	£509,848	£254,924
Performance period		1 April 2018 – 31 March 2021		
Threshold vesting outcome		25%		
Post-vesting holding period		Two years		

- The awards were made using the average of the share prices for the three dealing days immediately preceding 7 June 2018, the date the shares were awarded.

The Performance conditions were as follows:

Measure ¹	LTIP targets		
	Weight	Threshold (25% of base)	Maximum (100% of base)
Adjusted EPS (cumulative 2019, 2020, 2021)	50%	98p	108p
TSR (vs Industrial / Electronic peer group ²)	25%	Median	Upper quartile
ROCE (average over 2019, 2020, 2021)	25%	24%	28%
Adjusted EPS Multiplier (cumulative 2019, 2020, 2021)		(1x base vesting) 112p	(1.5x base vesting) 119p

1. Straight-line vesting between measurement points (Base LTIP and Multiplier).
 2. Comprises Bodycote, DCC, Dialight, Diploma, Discoverie Group, Essentra, Fenner, Ferguson, Goodwin, Grafton Group UTS, Halma, Hill & Smith, Howden Joinery GP, IMI, Luceco, Morgan Advanced Materials, Oxford Instruments, Porvair, Renishaw, Renold, RHI Magnesita, Rotork, Severfield, SIG, Spectris, Spirax-Sarco Engr, Travis Perkins, Trifast, TT Electronics, Weir Group, Xaar, and XP Power (DI). The TSR group contains all companies from the Electrical and Electronic Equipment, Industrial Machinery and Industrial Suppliers sectors of the FTSE All Share.

SAYE

During the year under review, no SAYE awards were granted to the Executive Directors.

Total pension entitlements (audited)

Lindsley Ruth and David Egan are able to participate in the Defined Contribution section of the Scheme. Both have chosen to take a cash allowance of 20% of base salary instead, the value of which is captured in the Single Figure for Total Remuneration table on page 90.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

External appointments in the year

Neither of the Executive Directors held external roles during the year under review. As announced on 1 May 2019, Lindsley Ruth was appointed non-executive director of Ashtead Group plc on 1 May 2019. His fees from this will be reported in 2020.

Percentage change in remuneration for the CEO

The table below shows the percentage change in the annual cash remuneration of the CEO (comprising base salary, the value of taxable benefits and earned annual bonus), as disclosed in the single figure for total remuneration (table on page 90) from the prior year compared with the average percentage change for the members of our global management team. This group is considered most representative, as similarity of remuneration structures facilitates a more meaningful comparison than considering all employees as a whole. To ensure like-for-like comparison, only those employed and eligible over both periods (247 managers) have been included in this calculation.

	CEO	Global management team
	change 2018 – 2019	change 2018 – 2019
Base salary	5.0%	4.4%
Taxable benefits	(19.9)%	2.0%
Annual bonus	(18.5)%	17.2%

The Committee is mindful of the new legislation regarding the CEO pay ratio and will seek to provide the required disclosures in the Annual Report in respect of the year ended 31 March 2020.

Relative importance of spend on pay

The graphs below show the Company's 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.

Dividend (£m)

6.3%



Total employee
pay expenditure (£m)

14.0%



The total employee pay expenditure figures above include labour exit costs set out in Note 8 on page 120.

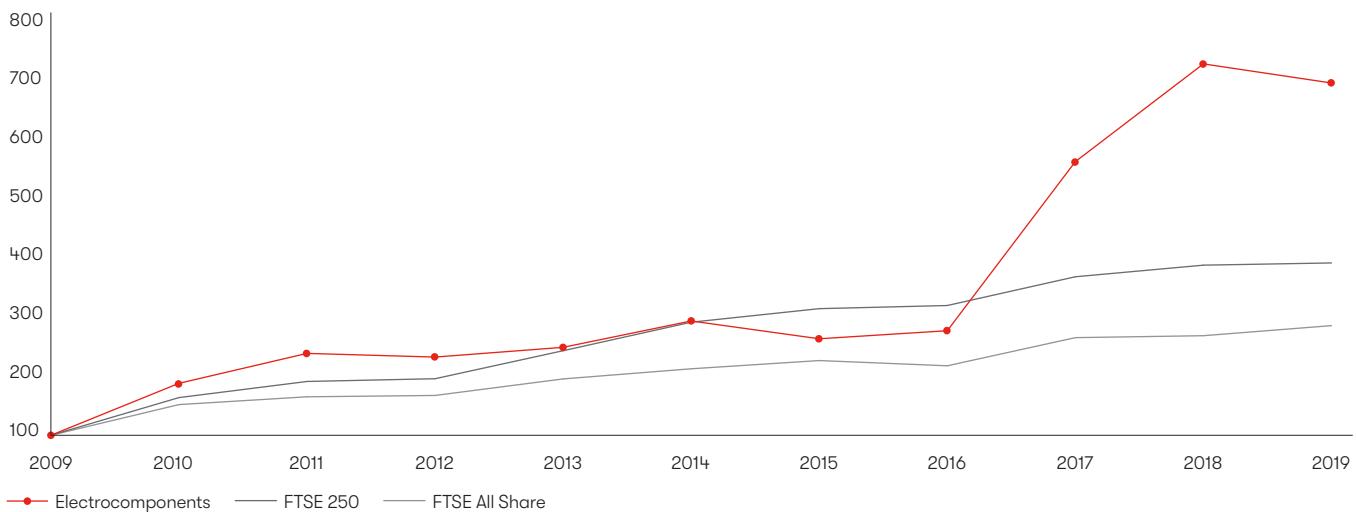
DIRECTORS' REMUNERATION REPORT CONTINUED

Performance graph and table

The following graph shows the ten-year TSR performance of the Company relative to the FTSE 250 and All Share Indices. The FTSE All Share and FTSE 250 are broad equity market indices of which Electrocomponents plc is a member. The table below details the CEO's single figure of remuneration over the same period.

Total shareholder return

(Value of £100 invested on 31 March 2009)



CEO single figure of remuneration (£'000)	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2019
	Ian Mason	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth					
CEO total remuneration	1,472	1,862	1,176	1,223	1,287	891	2,072	1,401	4,410	4,225
Annual bonus award (as a % of maximum opportunity)	74.1%	100.0%	28.2%	3.7%	89.1%	16.9%	23.8%	82.5%	90.1%	68.0%
LTIP vesting (as a % of maximum opportunity)	21.4%	50.0%	20.5%	55.5%	0%	0%	N/A ¹	N/A ¹	100%	100%

1. Lindsley Ruth joined the Company in 2015 and therefore did not receive any vested LTIP awards in 2016 and 2017.

Director shareholdings (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares are shown below, together with total share awards and share options and information on whether the Executive Directors had met their shareholding requirements at 31 March 2019.

	Shares held				Share awards held		Options held	
	Owned outright	Shareholding guideline % base salary	Current holding % salary	Guideline met?	LTIP unvested, subject to performance (A)	DSBP unvested, not subject to performance (B)	SAYE unvested, but not subject to performance (C)	
Lindsley Ruth	467,949	200%	414%	Yes	908,134	78,954	15,706	
David Egan	70,783	100%	96%	No	515,330	53,222	13,100	
Bertrand Bodson	20,000							
Louisa Burdett	–							
Karen Guerra	49,351							
Peter Johnson	159,400							
Bessie Lee	–							
John Pattullo	16,344							
Simon Pryce	18,000							

The value of the shares used to calculate whether the shareholding guideline is met is 552.30p, being the average share price over the three months to 31 March 2019. Between the year end and the date of this Annual Report, there has been no movement in Directors' shareholdings. Details of the scheme interests contained in columns A–C are provided in the tables on page 95.

Directors' share scheme interests (audited)

Share awards

	Scheme	Notes	Date of Award	Shares awarded at 1 April 2018	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded at 31 March 2019	Normal vesting date
Lindsley Ruth	LTIP	1	1 Jul 15	384,735	–	384,735	–	–	7 Jun 18
			20 Jul 16	473,412	–	–	–	473,412	20 Jul 19
			26 May 17	238,927	–	–	–	238,927	26 May 20
		2	7 Jun 18	–	195,795	–	–	195,795	7 Jun 21
	DSBP	2	17 Jun 16	25,020	–	25,020	–	–	17 Jun 18
			26 May 17	41,618	–	–	–	41,618	26 May 19
		3	7 Jun 18	–	37,336	–	–	37,336	7 Jun 20
	Recruitment Award	3	21 May 15	256,892	–	256,892	–	–	31 Dec 18
	Total			1,420,604	233,131	666,647	–	987,088	
David Egan	LTIP	1	20 Jul 16	276,157	–	–	–	276,157	20 Jul 19
			26 May 17	132,589	–	–	–	132,589	26 May 20
			7 Jun 18	–	106,584	–	–	106,584	7 Jun 21
	DSBP	2	17 Jun 16	1,483	–	1,483	–	–	17 Jun 18
			26 May 17	28,359	–	–	–	28,359	26 May 19
		3	7 Jun 18	–	24,863	–	–	24,863	7 Jun 20
	Total			438,588	131,447	1,483	–	568,552	

1. All awards made to the Executive Directors under the LTIP are subject to the performance conditions set out on page 92. The normal vesting date for the LTIP is the third anniversary of grant or such earlier date as the performance conditions are determined.
2. DSBP awards are subject to the terms set out on page 92.
3. The Recruitment Award was subject to the conditions set out in Note 9 on page 120. On 31 December 2018 the recruitment award vested at a share price of 499.40p, being the share price upon vesting, giving a gain of £1,282,919.

Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 2018	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option 31 March 2019
Lindsley Ruth	SAYE	24 Jun 15	1 Sep 20	28 Feb 21	191.00p	15,706	–	–	–	15,706
Total						15,706	–	–	–	15,706
David Egan	SAYE	22 Jun 16	1 Sep 21	28 Feb 22	229.00p	13,100	–	–	–	13,100
Total						13,100	–	–	–	13,100

Remuneration Committee

The task of the Committee is to consider the remuneration packages designed to promote the long-term success of the Company and to ensure that Executive Directors and other senior employees are compensated appropriately for their contributions to the Group's performance. The Committee also considers the remuneration of the Company Chair. 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:

- Simon Pryce (Chair)
- Bertrand Bodson (until 13 December 2018)
- Louisa Burdett
- Karen Guerra
- John Pattullo (Chair until 19 July 2018)

Details of the skills and experience of the Committee members are given in their biographies on pages 56 and 57. In addition, the Company Chair, CEO, CFO and President of Group Professional Services and People were invited to attend Committee meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers, other than in relation to their own remuneration. The Company Secretary acts as Secretary to the Committee.

Further details of matters discussed at Committee meetings which took place during the year is available in the corporate governance section of our website and attendance by individual Committee members at meetings is detailed on page 79.

DIRECTORS' REMUNERATION REPORT CONTINUED

Advisors

Deloitte LLP were appointed by the Committee following a tender process and have provided independent advice to it since 2015. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consultancy in the UK (details of which can be found at www.remunerationconsultantsgroup.com).

During the year Deloitte provided:

- Independent advice to support the Committee in developing the 2019 Directors' Remuneration Policy to be put to shareholders at the Company's AGM on 17 July 2019 as well as support around engagement with major investors
- Independent advice to support the Committee in setting performance targets
- Support in drafting the Directors' Remuneration Reports for the years ended 31 March 2018 and 2019
- Regular updates to the Committee on regulatory changes and the investor environment

Deloitte provides advice to the Company regarding globally mobile employees, but the Committee does not consider that this jeopardises the independence of Deloitte, which operates in line with the Code described above. Deloitte's fees for the provision of executive remuneration consultancy services to the Committee during the year, charged on a time and materials basis, totalled £56,950.

Directors' service contracts

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

Non-Executive Directors have letters of engagement which set out their duties and time commitment expected. Details are set out below:

Name	Date of appointment	Length of service as at 31 March 2019	
		Years	Months
Peter Johnson	1 Oct 10	8	6
Bertrand Bodson	1 Jun 15	3	10
Louisa Burdett	1 Feb 17	2	2
Karen Guerra	1 Jan 13	6	3
Bessie Lee	1 Mar 19	–	1
John Pattullo	1 Jan 13	6	3
Simon Pryce	26 Sep 16	2	6

Summary of shareholder voting

Summarised below are the results at the 2016 AGM of the vote on the Directors' 2016 Remuneration Policy and at the 2018 AGM of the vote on the Annual Report on Remuneration:

2016 Vote on Directors' Remuneration Policy	Total number of votes	% of votes cast
For (including discretionary)	386,390,524	98.77%
Against	4,831,191	1.23%
Total votes cast (excluding withheld votes)	391,221,715	
Votes withheld	2,095,652	
Total votes (including withheld votes)	393,317,367	

2018 Vote on Annual Report on Remuneration	Total number of votes	% of votes cast
For (including discretionary)	362,434,444	98.21%
Against	6,620,086	1.79%
Total votes cast (excluding withheld votes)	369,054,530	
Votes withheld	366,614	
Total votes (including withheld votes)	369,421,144	

The Committee welcomes the support received from shareholders at both AGMs for remuneration at Electrocomponents plc.

Terms of Reference

The Remuneration Committee responsibilities are set out in its Terms of Reference, which can be found in the corporate governance section of the Company's website electrocomponents.com

A SUMMARY OF GENERAL DISCLOSURES

The Directors present their report and the audited financial statements of Electrocomponents plc (Company) together with its subsidiary undertakings (Group) for the year ended 31 March 2019.

Introduction

This section contains additional information which the Directors are required by law and regulation to include in the Annual Report. This section (together with the information from pages 54 to 96 and other information cross-referenced by this section which is incorporated by reference) constitutes the Directors' Report for the purposes of the Companies Act 2006 (Companies Act).

Management report and future developments

The Directors' Report together with the Strategic Report on pages 1 to 53 form the management report for the purposes of Rule 4.1.8R of the Disclosure Guidance and Transparency Rules. The Company has chosen, in accordance with the Companies Act Section 414C(11), to include the disclosure of likely future developments in the Strategic Report.

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

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

	Page numbers
Likely future developments ¹	5, 10 to 15
Policy on disability ¹	46
Employee engagement ¹	48
Greenhouse gas emissions ¹	53
Names of Directors who served during the year	56 and 57
Results	107
Details of employee share schemes	83
Subsidiary and associated undertakings and branches	141 to 144
Financial risk management (including hedging)	133 to 139

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

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

	Page numbers
Interest capitalised by the Group	131
Unaudited financial information	N/A
Long-term incentive schemes	83
Directors' waivers of emoluments	N/A
Directors' waivers of future emoluments	N/A
Non pro-rata allotments for cash (issuer)	N/A
Non pro-rata allotments for cash (major subsidiaries)	N/A
Listed company is a subsidiary of another company	N/A
Contracts of significance involving a Director	N/A
Contracts of significance involving a controlling shareholder	N/A
Waivers of dividends	98
Waivers of future dividends	98
Agreement with a controlling shareholder	N/A

Results and dividends

Results for the year are set out in the Group income statement on page 107. An analysis of revenue and profit by segment is shown in Note 2 on pages 113 and 114. The Directors have declared dividends as follows:

Ordinary shares

Paid interim dividend of 5.3p per share (paid on 9 January 2019)	2018: 5.25p per share
Proposed final dividend of 9.5p per share (to be paid on 25 July 2019)	2018: 8p per share
Total ordinary dividend of 14.8p per share for year ended 31 March 2019	2018: 13.25p per share

The trustees of the Electrocomponents plc Employee Benefit Trust have waived their right to receive dividends over their total holding of 254,405 ordinary shares as at 31 March 2019.

Share capital

Full details of share options, awards and shares issued under the terms of the Company's share incentive plans can be found in Note 9 on pages 120 to 123.

As at 31 March 2019, the Company's issued share capital comprised a single class of 443,848,272 ordinary shares of 10p each, totalling £44,384,827.20.

The Company was authorised by shareholders at the Annual General Meeting (AGM) held on 19 July 2018 to purchase up to 5% of its ordinary share capital in the market. The Company did not make use of this authority during the year. This authority will expire at the end of the 2019 AGM and the Company is proposing a resolution to renew it for another year.

Directors' indemnities

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

The Company purchased and maintained Directors' and Officers' liability insurance throughout 2018, which was renewed for 2019. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

Substantial shareholders

The Company had been advised under the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules, or had ascertained from its own analysis, the following held interests in the voting rights of the Company's issued share capital:

	As at 31 March 2019		As at the date of this report	
	Number of shares	Percentage held	Number of shares	Percentage held
Columbia Threadneedle Investments	67,377,359	15.18%	67,762,596	15.27%
Majedie Asset Management	39,234,339	8.84%	39,528,631	8.91%
Wellington Management	23,131,192	5.21%	23,538,468	5.30%
BlackRock Inc	21,351,628	4.81%	20,942,812	4.72%
M&G Investment Management	17,885,641	4.03%	17,924,041	4.04%
Standard Life Aberdeen	14,959,181	3.37%	17,434,127	3.93%
Merian Global Investors	17,158,448	3.87%	17,152,342	3.86%
The Vanguard Group, Inc	14,837,626	3.34%	15,250,973	3.44%
Silchester International Investors	16,054,220	3.62%	13,931,396	3.14%

Financial instruments

For information on the Group's use of financial instruments, including its financial risk management objectives and policies, and the Group's exposure to certain financial risks, see Notes 20 to 22 on pages 133 to 139.

Tax strategy and policies

During the year the Board reviewed and endorsed the Group's tax strategy, and reviewed the principal tax risks and opportunities and discussed the position with management. The Company's tax strategy is aligned with its business strategy, and focused on sustainability and compliance. Further details of the tax strategy and policies were published on the Group's website in line with the requirement of the Finance Act 2016 which requires large businesses to publish their UK tax strategy.

Political contributions

In the year ended 31 March 2019 the Group made no political donations or contributions.

AGM

The Notice of the AGM is set out in a separate circular. The AGM will be held at 10.30am on Wednesday, 17 July 2019 at Linklaters LLP, One Silk Street, London EC2Y 8HQ.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and that each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Conflicts of interest

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

Important events since 31 March 2019

In the period between 1 April 2019 to 20 May 2019, no important events have taken place.

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

Dividends and distributions

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

Voting rights

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

Restrictions on voting

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

Deadlines for exercising voting rights

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

Variation of rights

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

Transfer of shares

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

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason,

refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

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

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

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

Appointment and replacement of Directors

Directors shall be no less than three and no more than 12 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.

Each Director (other than the Chair and any Director holding an executive office) shall retire at each AGM following the ninth anniversary of the date on which they were elected. A retiring Director is eligible for re-election.

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

Powers of the Directors

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

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

Significant agreements: change of control

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

Amendment of Articles of Association

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

The Directors' Report was approved by the Board on 20 May 2019 and signed on its behalf by:

Ian Haslegrave

Company Secretary

RESPONSIBILITY OF DIRECTORS FOR ANNUAL REPORT AND ACCOUNTS

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

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Group accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable IFRS as adopted by the European Union have been followed for the Group accounts and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company accounts, subject to any material departures disclosed and explained in the accounts
- Make judgements and accounting estimates that are reasonable and prudent and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the accounts and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 56 and 57 confirm that, to the best of their knowledge:

- The Company accounts, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit / loss of the Company;
- The Group accounts, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information.

By order of the Board:

Lindsley Ruth
Chief Executive Officer

David Egan
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELECTROCOMPONENTS PLC

Report on the audit of the financial statements**Opinion**

In our opinion:

- Electrocomponents plc's Group accounts and Company accounts (the financial statements) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's profit and cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts for the year ended 31 March 2019 (the Annual Report), which comprise: the Group and Company balance sheets as at 31 March 2019; the Group income statement and Group statement of comprehensive income, the Group cash flow statement, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

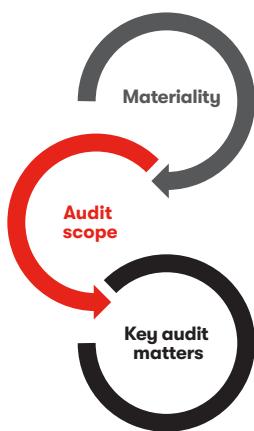
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the Group or the Company in the period from 1 April 2018 to 31 March 2019.

Our audit approach**Overview**

- Overall Group materiality: £10.5 million (2018: £8.65 million), based on 5% of Group profit before tax adjusted for substantial reorganisation costs and one-off pension costs.
- Overall Company materiality: £2.1 million (2018: £0.9 million), based on 0.5% of net assets.
- We identified 7 reporting units which, in our view, required a full scope audit based on their size or risk.
- We used component teams in 6 countries to perform full scope audits and, in addition, to perform audit procedures on specific financial statement line items of 1 component, with the Group team performing the remainder of our procedures.
- The Group consolidation, financial statement disclosures and a number of complex items, (including tax, group bonus provision and treasury) prepared by the head office finance function, were audited by the Group engagement team.
- The RS inventory provisioning was audited by the UK component engagement team.
- The Group engagement team visited the 2 financially significant component audit teams (being the UK and US) to discuss the audit approach and findings with those local teams. For those countries not visited we maintained regular contact with the local teams and evaluated the outcome of their audit work.
- The components that are part of our audit scope as set out above account for 78% of Group revenue and 83% of Group profit before tax, substantial reorganisation costs and one-off pension costs.
- Key audit matters were: inventory obsolescence provision (Group); tax provisioning (Group); revenue cut-off (Group); and acquisition accounting (Group).

INDEPENDENT AUDITORS' REPORT CONTINUED

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Listing Rules of the Financial Conduct Authority (FCA), pensions legislation, UK and other relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and / or component auditors included:

- discussions with management, legal counsel and the Internal Audit function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing helpline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant accounting estimates in particular in relation to estimation of inventory obsolescence provisions, uncertain tax provisions, and the recognition of the fair value of assets and liabilities acquired through business combinations (see related key audit matters below); and
- identifying and testing higher risk journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management and consolidation journals.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Inventory obsolescence provision (Group) Refer to page 71 (Audit Committee Report), page 132 (Note 17 Inventories) and page 111 (Note 1 Basis of preparation). The balance of gross inventories at 31 March 2019 was £415.0 million, against which a provision of £27.8 million was held. The valuation of the inventory provision was a focus of our audit for the following reasons: <ul style="list-style-type: none">• Electrocomponents' business model is based on having the broadest range in the industry and delivering products on time, often next day. This results in large quantities of inventory comprising many different types of product, being held for long periods of time which raises the risk of inventory obsolescence.• There is uncertainty about the impact of product life cycles, the value recoverable from any excess inventory, and future sales levels which require management to make assumptions based on historic trends. The inventory provision is calculated within the Group's accounting systems using an automated process. Where necessary, manual overlays are applied to this provision to account for unusual circumstances that may have arisen during the year.	We updated our understanding of the inventory provisioning methodology and how it is applied. We assessed the completeness of the data used by the system to calculate the provision by agreeing the sub-ledger to the general ledger. We recalculated the provision to ensure mathematical accuracy and consistency of application with the prior year. We noted no material exceptions. We assessed the reasonableness of management's judgement regarding the obsolescence percentage applied and expected future sales levels by comparing these assumptions to historical write-offs and historical sales. We found the assumptions to be reasonable. We also assessed the reasonableness of the product life cycles by comparing these against historical life cycles of similar products. We noted no material exceptions. We tested manual overlays to the automated calculation by understanding the market-specific considerations behind the adjustments and whether there was a right of return under the contractual arrangements. We noted no material exceptions.

Key audit matter	How our audit addressed the key audit matter
<p>Tax provisioning (Group) Refer to page 71 (Audit Committee Report), page 111 (Note 1 Basis of preparation) and page 127 (Note 11 Taxation).</p> <p>Due to the Group operating across a number of different tax jurisdictions it is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. These challenges include transaction related tax matters, financing and transfer pricing arrangements arising from centralised functions that drive value across a number of different countries.</p> <p>The Group continues to provide for uncertain tax positions in respect of transfer pricing and other matters. The provision is based on the estimates of the potential outcome of audits by tax authorities in jurisdictions in which the Group operates and totals £7.8 million.</p>	<p>We updated our detailed understanding of the Group's tax strategy and Group transfer pricing policy, considering whether any changes have been implemented during the year.</p> <p>In relation to the uncertain tax provision for territories within the Group's transfer pricing policy, we continued to review management's calculation of the tax provision, which considers the risk from the overseas countries' perspective. We have reassessed this for developments and noted that it remains consistent with the conclusions reached by our own transfer pricing specialists. We have also considered the position on transfer pricing with respect to entities outside the Group's transfer pricing policy.</p> <p>We assessed key country technical tax issues and risks related to the business and legislative developments using, where applicable, our local and international tax specialists. We also considered any new developments in the application of these laws based on our knowledge of tax legislation and the current position adopted by tax authorities on similar matters. We further performed analysis on the provisions to assess the risk that challenge on transfer pricing could arise from opposing territories.</p> <p>Where individual countries' tax authorities have either started enquiries or concluded on the Group's tax position in key jurisdictions, we have reviewed the associated correspondence and utilised our own specialists to assess the accuracy of management's estimates, including discussions directly with management's local advisors to corroborate the likely impact.</p> <p>We also considered the impact of audits which have been concluded during the year on the level of provisions to assess the accuracy of management's estimates of potential tax exposures. We found management's judgements on likely exposure and overall position to be supportable.</p> <p>We also evaluated whether the liabilities and potential exposures were appropriately disclosed in the financial statements.</p>
<p>Revenue cut-off (Group) Refer to page 118 (Note 4 Revenue recognition).</p> <p>The Group's accounting systems recognise revenue at the point that goods are dispatched. This reflects the fact that the terms and conditions are such that control has passed to the customer or that the majority of goods have a guaranteed next day delivery and so the year-on-year impact is not material. Our work identified that the shipping terms are different across the Group and therefore the control does not always pass to the customer on dispatch.</p>	<p>We have assessed differences between the date of revenue recognition and the transfer of control through understanding the terms of shipment and the associated lead times for delivery to the customer. We tested a sample of revenue transactions during the period and around the year end, and analysed daily shipping reports obtained from the delivery companies. We also considered the value and nature of the transactions at the prior year end. Based on our audit procedures we noted no material exceptions.</p>
<p>Acquisition accounting (Group) Refer to page 71 (Audit Committee Report), page 111 (Note 1 Basis of preparation) and page 144 (Note 29 Acquisitions).</p> <p>On 31 May 2018, the Group completed the acquisition of IESA for a purchase consideration of £73.7 million (on a debt-free tax-free basis).</p> <p>The acquisition required the Group to prepare valuation models to determine the fair value of assets and liabilities acquired as part of the business combination and resulted in the recognition of £29.5 million of goodwill and £45.6 million of other intangible assets, mainly in relation to customer contracts and relationships.</p> <p>The business combination required significant judgements and accounting estimates to be made in order to identify and calculate the fair value of the acquired assets and liabilities.</p>	<p>We reviewed the share purchase agreement and noted no unusual terms in it. The assumptions and basis of the valuations have been audited utilising the assistance of our specialist valuation team and performed work to test the basis and mechanical accuracy of the models, the application of valuation methodology, appropriateness of the key assumptions and inputs applied, including discount rates, attrition rates of customers, royalty rates and contributory asset charges. Based on this work we did not identify any issues.</p> <p>We have performed an independent recalculation of the overall weighted average cost of capital (WACC) used in the valuation models and found management's WACC to be within a reasonable range.</p> <p>We have reviewed the cash flow forecasts and agreed these back to Board approved financial forecasts at a revenue and profit level. We have considered the forecast results and evidence for key inputs such as customer attrition rates relative to the historical performance of the business and consider these to be reasonable.</p> <p>We have also assessed the completeness of fair value adjustments and performed an overall reasonableness check by calculating, for each of the identified assets, an implied rate of return. These cross checks for each asset type support the overall results of the valuation exercise and no additional adjustments were identified.</p> <p>Finally, we examined the disclosures in respect of the acquisition and found them to be reasonable, providing a fair reflection of the accounting including estimates and judgements made in the valuations.</p>

INDEPENDENT AUDITORS' REPORT CONTINUED

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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around a local finance function in most of the Group's country reporting units. These functions maintain their own accounting records and controls (although transactional processing and certain controls for many reporting units are performed at the Group's EMEA and Asia Pacific shared service centres) and report to the head office finance team through an integrated consolidation system.

In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of the RS UK, US, Germany, France, Italy, China and Electrocomponents plc. In each country we used PwC component auditors to audit and report on the aggregated financial information of that country. This work is supplemented by audit procedures over specific balances performed on IESA and procedures performed centrally including the consolidation, taxation and certain component balances not covered by local country component teams.

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 accounts as a whole. In the current year the Group team visited the financially significant component teams (UK and US) to meet with local management, obtain an understanding of the local environment and any audit risks arising. For those countries not visited we had regular communication with the local teams, before, during and after their audit. We directed the work of component teams, reviewed their approach and findings, and participated in the closing meetings of the significant components.

The components that are part of our audit scope as set out above account for 78% of Group revenue and 83% of Group profit before tax, substantial reorganisation costs and one-off pension costs.

Materiality

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

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

	Group accounts	Company accounts
Overall materiality	£10.5 million (2018: £8.65 million).	£2.1 million (2018: £0.9 million).
How we determined it	5% of Group profit before tax adjusted for substantial reorganisation costs and one-off pension costs.	0.5% of net assets.
Rationale for benchmark applied	We believe that profit before tax adjusted for one-off items is the key measure used by the shareholders as a body in assessing the Group's performance. We consider that excluding the substantial reorganisation costs and one-off pension 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 believe that net assets is the primary measure used by the shareholders in assessing the performance and position of the entity as it reflects the Company's principal activity as a holding company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.5 million and £5.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (Group audit) (2018: £0.365 million) and £0.099 million (Company audit) (2018: £0.045 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 38 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on pages 42 and 43 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the Code); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 100, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 68 to 74 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 100, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company accounts 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 August 2014 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 March 2015 to 31 March 2019.

Christopher Richmond

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 May 2019

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £m	2018 £m
Revenue			
Cost of sales	5	1,884.4 (1,045.8)	1,705.3 (955.5)
Gross profit		838.6 (580.0) (57.6)	749.8 (528.2) (49.0)
Operating profit	2,3,5	201.0	172.6
Finance income	6	3.5	7.5
Finance costs	6	(9.6)	(11.5)
Share of profit of joint venture	16	0.3	—
Profit before tax		195.2	168.6
Income tax expense	11	(47.1)	(19.0)
Profit for the year attributable to owners of the Company		148.1	149.6
Earnings per share			
Basic	13	33.4p	33.9p
Diluted	13	33.2p	33.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £m	2018 £m
Profit for the year		148.1	149.6
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement			
Remeasurement of retirement benefit obligations	10	(15.1)	29.0
Income tax on items that will not be reclassified to the income statement	11	2.7	(4.9)
		(12.4)	24.1
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation differences		20.0	(29.3)
Movement in cash flow hedges		3.8	(1.4)
Income tax on items that may be reclassified to the income statement	11	(1.4)	0.3
		22.4	(30.4)
Other comprehensive income / (expense) for the year		10.0	(6.3)
Total comprehensive income for the year attributable to owners of the Company		158.1	143.3

The Notes on pages 111 to 145 form part of these Group accounts.

GROUP BALANCE SHEET

AS AT 31 MARCH 2019

Company number: 647788

	Notes	2019 £m	2018 £m
Non-current assets			
Intangible assets	14	320.9	233.3
Property, plant and equipment	15	119.6	97.3
Investment in joint venture	16	0.9	0.8
Other receivables	18	4.3	5.5
Cross currency interest rate swap	21	1.8	0.5
Deferred tax assets	11	15.6	20.2
Total non-current assets		463.1	357.6
Current assets			
Inventories	17	387.2	331.0
Trade and other receivables	18	414.7	294.2
Cash and cash equivalents – cash and short-term deposits	21	129.2	122.9
Other derivative assets	20	2.7	0.8
Current income tax receivables		2.1	0.9
Total current assets		935.9	749.8
Total assets		1,399.0	1,107.4
Current liabilities			
Trade and other payables	19	(384.5)	(280.9)
Cash and cash equivalents – bank overdrafts	21	(78.1)	(87.5)
Other derivative liabilities	20	(0.8)	(2.8)
Provisions	23	(6.9)	(1.5)
Current income tax liabilities		(17.2)	(18.3)
Total current liabilities		(487.5)	(391.0)
Non-current liabilities			
Other payables	19	(11.4)	(12.7)
Retirement benefit obligations	10	(83.6)	(72.4)
Borrowings	21	(175.3)	(100.9)
Provisions	23	(1.6)	(1.2)
Deferred tax liabilities	11	(50.3)	(46.7)
Total non-current liabilities		(322.2)	(233.9)
Total liabilities		(809.7)	(624.9)
Net assets		589.3	482.5
Equity			
Share capital	24	44.4	44.2
Share premium account		49.6	47.1
Hedging reserve		0.2	(0.5)
Own shares held by Employee Benefit Trust (EBT)	24	(1.2)	(4.2)
Cumulative translation reserve		61.1	41.1
Retained earnings		435.2	354.8
Equity attributable to owners of the Company		589.3	482.5

The Notes on pages 111 to 145 form part of these Group accounts.

These Group accounts were approved by the Board of Directors on 20 May 2019 and signed on its behalf by:

David Egan

Chief Financial Officer

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Profit before tax		195.2	168.6
Depreciation and amortisation	5	31.9	25.8
Impairment of intangible assets		2.2	—
Loss on disposal of non-current assets	5	0.1	1.7
Equity-settled share-based payments	8,9	7.7	5.3
Net finance costs		6.1	4.0
Share of profit of and dividends received from joint venture	16	(0.1)	0.1
Increase in inventories		(50.7)	(36.7)
Increase in trade and other receivables		(28.7)	(23.0)
Increase in trade and other payables		14.6	21.2
Increase in provisions		5.9	1.9
Cash generated from operations		184.2	168.9
Interest received		3.8	7.5
Interest paid		(9.9)	(11.7)
Income tax paid		(50.8)	(37.8)
Net cash from operating activities		127.3	126.9
Cash flows from investing activities			
Acquisition of businesses	29	(34.6)	—
Cash and cash equivalents acquired with businesses	29	1.3	—
Purchase of intangible assets, property, plant and equipment		(50.8)	(24.2)
Net cash used in investing activities		(84.1)	(24.2)
Cash flows from financing activities			
Proceeds from the issue of share capital	24	2.6	1.7
Purchase of own shares by EBT	24	(2.3)	(3.5)
Loans drawn down	21	97.7	25.5
Loans repaid	21	(70.5)	(52.8)
Dividends paid	12	(58.9)	(55.4)
Net cash used in financing activities		(31.4)	(84.5)
Net increase in cash and cash equivalents		11.8	18.2
Cash and cash equivalents at the beginning of the year		35.4	21.4
Effect of exchange rate changes		3.9	(4.2)
Cash and cash equivalents at the end of the year	21	51.1	35.4

The Notes on pages 111 to 145 form part of these Group accounts.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £m	Share premium account £m	Hedging reserve £m	Own shares held by EBT £m	Cumulative translation reserve £m	Retained earnings £m	Total £m
At 1 April 2017	44.2	44.5	0.6	(2.3)	70.4	231.6	389.0
Profit for the year	–	–	–	–	–	149.6	149.6
Remeasurement of retirement benefit obligations	–	–	–	–	–	29.0	29.0
Foreign exchange translation differences	–	–	–	–	(35.0)	–	(35.0)
Fair value gain on net investment hedges	–	–	–	–	5.7	–	5.7
Cash flow hedging losses taken to equity	–	–	(6.2)	–	–	–	(6.2)
Cash flow hedging losses transferred to inventories	–	–	4.8	–	–	–	4.8
Tax on other comprehensive income (Note 11)	–	–	0.3	–	–	(4.9)	(4.6)
Total comprehensive income	–	–	(1.1)	–	(29.3)	173.7	143.3
Dividends (Note 12)	–	–	–	–	–	(55.4)	(55.4)
Equity-settled share-based payments (Notes 8 and 9)	–	–	–	–	–	5.3	5.3
Shares allotted in respect of share awards	–	2.6	–	1.6	–	(2.5)	1.7
Purchase of own shares by EBT	–	–	–	(3.5)	–	–	(3.5)
Tax on equity-settled share-based payments	–	–	–	–	–	2.1	2.1
At 31 March 2018	44.2	47.1	(0.5)	(4.2)	41.1	354.8	482.5
Profit for the year	–	–	–	–	–	148.1	148.1
Remeasurement of retirement benefit obligations	–	–	–	–	–	(15.1)	(15.1)
Foreign exchange translation differences	–	–	–	–	24.1	–	24.1
Fair value loss on net investment hedges	–	–	–	–	(4.1)	–	(4.1)
Cash flow hedging gains taken to equity	–	–	4.4	–	–	–	4.4
Cash flow hedging losses transferred to income statement	–	–	0.1	–	–	–	0.1
Cash flow hedging gains transferred to administrative expenses as hedged future cash flows no longer expected to occur	–	–	(0.7)	–	–	–	(0.7)
Tax on other comprehensive income (Note 11)	–	–	(1.4)	–	–	2.7	1.3
Total comprehensive income	–	–	2.4	–	20.0	135.7	158.1
Cash flow hedging gains transferred to inventories	–	–	(2.6)	–	–	–	(2.6)
Tax on cash flow hedging gains transferred to inventories	–	–	0.9	–	–	–	0.9
Dividends (Note 12)	–	–	–	–	–	(58.9)	(58.9)
Equity-settled share-based payments (Notes 8 and 9)	–	–	–	–	–	7.7	7.7
Shares allotted in respect of share awards	0.2	2.5	–	5.3	–	(5.4)	2.6
Purchase of own shares by EBT	–	–	–	(2.3)	–	–	(2.3)
Tax on equity-settled share-based payments	–	–	–	–	–	1.3	1.3
At 31 March 2019	44.4	49.6	0.2	(1.2)	61.1	435.2	589.3

The Notes on pages 111 to 145 form part of these Group accounts.

NOTES TO THE GROUP ACCOUNTS

1 Basis of preparation

Electrocomponents plc (the Company) is a public limited company registered in England and Wales and listed on the London Stock Exchange.

The Group accounts for the year ended 31 March 2019 are presented in sterling and rounded to £0.1 million. They are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounts have been prepared on a going concern basis under the historical cost convention, modified by the revaluation of retirement benefit obligations and certain financial assets and liabilities (including derivative financial instruments) as explained in the relevant note. The principal accounting policies have been consistently applied unless otherwise stated.

Basis of consolidation

The Group accounts comprise the results, assets and liabilities of the Company and all its subsidiaries (together referred to as the Group) and include the Employee Benefit Trust (EBT) and the Group's interest in a joint venture. Subsidiaries are entities controlled by the Company. The joint venture is accounted for using the equity method of accounting.

The results of businesses acquired in the year are consolidated from the effective date of acquisition. The net assets of businesses acquired are incorporated in the Group accounts at their fair values at the date of acquisition.

Intra-group transactions and balances are eliminated in preparing the Group accounts and no profit or loss is recognised on intra-group transactions. Unrealised gains or losses arising from transactions with the joint venture are eliminated to the extent of the Group's interest in the entity.

Estimates and judgements

The preparation of accounts in conformity with IFRS requires the Group to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Except for judgements involved in estimations, no judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the accounts.

The significant estimates made in preparing the accounts were in relation to retirement benefit obligations (Note 10), inventories (Note 17), the fair values on acquisition of businesses (Note 29) and uncertain tax positions (Note 11). Further details on the application of these estimates can be found in the relevant notes. The Group is also required to make estimates in the review of intangibles and other assets for impairment. Further details are provided in Note 14. Actual results in the longer term may differ from these estimates.

Foreign currency

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 retranslated at the rate ruling at that date and the gains and losses on translation are recognised in operating profit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the 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 the rate ruling at the date the fair value was determined.

Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates ruling at the balance sheet date. The income statement and cash flows of foreign operations are translated at the average rate for the period.

Exchange differences arising from the translation of foreign operations, and of related qualifying hedges, are taken to other comprehensive income. They are reclassified to the income statement upon disposal of the net investment. The Group elected under IFRS 1 on transition to IFRS to set the cumulative translation differences balance at 1 April 2004 to £nil.

Standards and interpretations adopted in the year

The Group adopted the following standards, amendments to standards and interpretations on 1 April 2018.

IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements on the classification and measurement of financial instruments, impairment on financial assets and new general hedge accounting requirements plus expanded disclosures and replaces existing guidance in International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement'. It replaces the incurred loss model with the expected loss model for assessing impairment of trade receivables and other financial assets. On the date of initial application, 1 April 2018, the Group assessed which business models apply to its financial assets and financial liabilities. Derivative financial instruments were classified as held for trading under IAS 39 and are classified as fair value through profit or loss under IFRS 9. The classification of all other financial assets and financial liabilities remains as amortised cost. Adoption of IFRS 9 resulted in no adjustments to previously reported results.

NOTES TO THE GROUP ACCOUNTS

CONTINUED

1 Basis of preparation continued

IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard is based on the principle that revenue is recognised when control of goods or services transfers to the customer. Adoption of IFRS 15 resulted in no adjustments to previously reported results.

Other

Amendments to IFRS 2 ‘Classification and Measurement of Share-based Payment Transactions’, Amendments to IFRS 4 ‘Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts’, Amendments to IAS 40 ‘Transfers of Investment Property’, and International Financial Reporting Interpretations Committee (IFRIC) 22 ‘Foreign Currency Transactions and Advance Consideration’ were adopted in the year. There was no material impact on the reported results or financial position of the Group.

Standards or interpretations issued but not yet applied

The following standards and interpretations have been issued but are not yet applicable. The Group does not consider that any other standards or interpretations issued by the International Accounting Standards Board, but not yet applicable, will have a significant impact on the accounts.

IFRS 16 ‘Leases’

IFRS 16 will be adopted by the Group on 1 April 2019 and will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals discounted to present value will be recognised. The only exceptions are short-term leases (or leases that end before 31 March 2020) and leases of low-value assets which will both be recognised on a straight-line basis over the lease term as an operating expense.

The Group will apply the new standard retrospectively with the cumulative effect of applying the new rules recognised in equity as an adjustment to the opening balance of retained earnings on 1 April 2019 and with no restatement of comparative information. Lease liabilities will be measured at the present value of the remaining lease payments discounted at the Group’s relevant incremental borrowing rates at 1 April 2019. The Group will then elect on a lease by lease basis whether to measure the right-of-use asset at its carrying amount as if IFRS 16 had applied since the start of the lease discounted using the Group’s relevant incremental borrowing rate at 1 April 2019, or at the same value as the lease liability adjusted for any prepaid or accrued lease payments.

In applying IFRS 16 for the first time, the Group will use the following practical expedients:

- to apply this standard to contracts that were previously identified as leases under IAS 17 ‘Leases’ and IFRIC 4 ‘Determining whether an Arrangement contains a Lease’ and not to apply IFRS 16 to leases which were not identified as containing a lease under IAS 17 or IFRIC 4
- to rely on the assessment of whether leases are onerous immediately prior to transition to IFRS 16 instead of performing an impairment review
- to treat leases with a remaining lease term of less than 12 months at 1 April 2019 as short-term leases
- to exclude initial direct costs from the measurement of the right-of-use assets at 1 April 2019
- to use hindsight in determining the lease term where the lease contains an extension or termination clause

As at 31 March 2019, the Group had non-cancellable operating lease commitments of £59.1 million (Note 25). The Group estimates lease liabilities of £51 million to £54 million and right-of-use assets of £50 million to £53 million will be recognised on the balance sheet at 1 April 2019.

The accounting for leases under IFRS 16 will result in higher operating profit, with a lower lease expense partly offset by depreciation of the right-of-use asset, and higher interest expense due to the unwinding of the discount on the present value of the liability. Based on existing leases only, operating profit will increase by approximately £0.7 million and finance costs will increase by £1.0 million, with a net decrease to profit before tax of approximately £0.3 million. Return on capital employed will decrease by approximately 1.6%.

2 Segmental reporting

As described in the Annual Report and Accounts for the year ended 31 March 2018, following the commencement of the second phase of the Performance Improvement Plan (PIP), the Group has moved to a new simpler management structure with three regions: EMEA, the Americas and Asia Pacific. EMEA includes the sub-regions of Northern Europe, Southern Europe and Central Europe, as well as the Group's emerging markets operations which were previously in Asia Pacific. Their principal activities are described on pages 26 to 29. In order to drive accountability, the Group has also moved costs such as regional recruitment costs, pensions and share-based payments from central costs to the regions. Internal reporting has been updated to reflect these changes. The segmental information below reflects this new structure and comparative information has been restated accordingly.

The operating segments' performance is assessed on revenue and adjusted operating profit on a monthly basis by the chief operating decision maker, who is the Chief Executive Officer.

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.

Year ended 31 March 2019

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,210.0	483.6	190.8	1,884.4
Segmental operating profit	193.5	62.1	3.0	258.6
Central costs				(38.3)
Adjusted operating profit				220.3
One-off pension costs (Note 10)				(1.8)
Amortisation of acquired intangibles				(4.4)
Substantial reorganisation costs (Note 7)				(13.1)
Operating profit				201.0
Net finance costs				(6.1)
Share of profit of joint venture				0.3
Profit before tax				195.2
Segmental capital expenditure	27.7	20.9	0.6	49.2
Central costs				0.1
Capital expenditure				49.3
Segmental depreciation and amortisation	21.7	4.9	0.4	27.0
Central costs				0.5
Amortisation of acquired intangibles				4.4
Depreciation and amortisation				31.9

Year ended 31 March 2018 (restated)

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,083.5	440.8	181.0	1,705.3
Segmental operating profit / (loss)	161.0	51.4	(0.9)	211.5
Central costs				(34.4)
Adjusted operating profit				177.1
Substantial reorganisation costs (Note 7)				(4.5)
Operating profit				172.6
Net finance costs				(4.0)
Profit before tax				168.6
Segmental capital expenditure	19.3	3.9	0.3	23.5
Central costs				1.4
Capital expenditure				24.9
Segmental depreciation and amortisation	20.2	4.8	0.4	25.4
Central costs				0.4
Depreciation and amortisation				25.8

NOTES TO THE GROUP ACCOUNTS

CONTINUED

2 Segmental reporting continued

Disaggregation of revenue

In the following table, revenue is disaggregated by major products / services and sales channels. As a result of the second phase of the PIP, the Group updated the split of its products / services between Industrial and Electronics. Of Electronic products / services' revenue £369.6 million is recognised at a point in time and £1.4 million over time (2018: £369.2 million at a point in time and £1.5 million over time). Of Industrial products / services' revenue £1,497.3 million is recognised at a point in time and £16.1 million over time (2018: £1,327.4 million at a point in time and £7.2 million over time).

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2019				
Major products / services lines				
Industrial products / services	982.2	406.4	124.8	1,513.4
Electronic products / services	227.8	77.2	66.0	371.0
Group	1,210.0	483.6	190.8	1,884.4
Sales channel				
Digital	846.2	202.9	111.9	1,161.0
Offline	363.8	280.7	78.9	723.4
Group	1,210.0	483.6	190.8	1,884.4
Year ended 31 March 2018				
Major products / services lines				
Industrial products / services	854.7	366.2	113.7	1,334.6
Electronic products / services	228.8	74.6	67.3	370.7
Group	1,083.5	440.8	181.0	1,705.3
Sales channel				
Digital	741.6	187.9	105.4	1,034.9
Offline	341.9	252.9	75.6	670.4
Group	1,083.5	440.8	181.0	1,705.3

Revenue and non-current assets by geographical location

In the table below, revenue is based on the location of the Group operation where the sales originated and non-current assets are based on the location of the assets. Non-current assets exclude interest rate swaps, other financial instruments and deferred tax assets.

	Revenue		Non-current assets	
	2019 £m	2018 £m	2019 £m	2018 £m
UK (country of domicile)	498.7	431.3	169.7	93.1
USA	480.4	437.9	245.6	212.8
France	233.0	217.1	9.2	9.6
Germany	156.8	141.2	16.0	15.7
Italy	87.6	83.6	0.3	0.3
Rest of world	427.9	394.2	4.6	5.4
Group	1,884.4	1,705.3	445.4	336.9

3 Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs improve the comparability of information between reporting years by adjusting for factors such as fluctuations in foreign exchange rates, number of trading days and items, such as reorganisation costs, that are substantial in scope and impact and do not form part of operational or management activities that the Directors would consider part of underlying performance.

The APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community. As a result of acquisitions of businesses in the year, the Group has updated its APMs so that like-for-like measures exclude acquisitions and adjusted measures exclude amortisation of intangible assets arising on acquisition of businesses (amortisation of acquired intangibles). Also the definition of free cash flow has been updated to exclude cash spent on the acquisition of businesses and cash and cash equivalents acquired with those businesses. The Directors believe that these changes aid comparison of the underlying performance between reporting years and between businesses with similar assets that were internally generated.

Base business

The Group's base business excludes acquisitions in the relevant years until they have been owned for a year, at which point they start to be included in both the current and comparative years for the same number of months.

	2019		
	Base business £m	Acquisitions £m	Group £m
Revenue			
EMEA	1,182.3	27.7	1,210.0
Americas	483.6	—	483.6
Asia Pacific	190.8	—	190.8
Group	1,856.7	27.7	1,884.4
Segmental operating profit			
EMEA	186.9	6.6	193.5
Americas	62.1	—	62.1
Asia Pacific	3.0	—	3.0
Segmental operating profit	252.0	6.6	258.6
Central costs	(38.3)	—	(38.3)
Adjusted operating profit	213.7	6.6	220.3
Adjusted profit before tax	209.0	5.5	214.5
Adjusted earnings per share	36.0p	1.0p	37.0p
Adjusted diluted earnings per share	35.7p	1.0p	36.7p

Like-for-like revenue growth

Like-for-like revenue growth is growth in revenue adjusted to eliminate the impact of acquisitions and changes in exchange rates and trading days year on year. It is calculated by comparing the revenue of the base business for the current year with the prior year converted at the current year's average exchange rates and pro-rated for the same number of trading days as the current year. This measure enables management and investors to track more easily, and consistently, the underlying revenue performance.

	2019 base business £m	2018 at 2019 rates and trading days £m	Like-for-like growth %
EMEA	1,182.3	1,083.5	8.5%
Americas	483.6	440.8	8.6%
Asia Pacific	190.8	181.0	6.2%
Group's base business	1,856.7	1,705.3	8.3%
Revenue for 2018		1,705.3	
Effect of exchange rates		1.3	
Effect of trading days		8.4	
Revenue for 2018 at 2019 rates and trading days		1,715.0	

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3 Alternative Performance Measures (APMs) continued

Like-for-like profit growth rates

Like-for-like growth rates are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. The rates are calculated by comparing the base business for the current year with the prior year converted at the current year's average exchange rates.

	2019 base business £m	2018 £m	2018 at 2019 rates £m	Like-for-like growth %
Segmental operating profit / (loss) of base business				
EMEA	186.9	161.0	160.8	16.2%
Americas	62.1	51.4	52.0	19.4%
Asia Pacific	3.0	(0.9)	(1.5)	300.0%
Segmental operating profit for base business	252.0	211.5	211.3	19.3%
Central costs	(38.3)	(34.4)	(34.4)	11.3%
Adjusted operating profit for base business	213.7	177.1	176.9	20.8%
Adjusted profit before tax for base business	209.0	173.1	173.0	20.8%
Adjusted earnings per share for base business	36.0p	28.4p	28.4p	26.8%

The principal exchange rates applied in preparing the Group accounts and in calculating the above like-for-like measures are:

	2019 Average	2019 Closing	2018 Average	2018 Closing
US dollar	1.31	1.30	1.33	1.40
Euro	1.13	1.16	1.13	1.14

Adjusted measures

These are the equivalent IFRS measures adjusted to exclude amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects.

	2019					2018			
	Reported £m	Amortisation of acquired intangibles £m	Substantial reorganisation costs (Note 7) £m	One-off pension costs (Note 10) £m	Adjusted £m	Reported £m	Substantial reorganisation costs (Note 7) £m	Significant tax rate change (Note 11) £m	Adjusted £m
Operating profit	201.0	4.4	13.1	1.8	220.3	172.6	4.5		177.1
Operating profit margin ¹	10.7%				11.7%	10.1%			10.4%
Operating profit conversion ²	24.0%				26.3%	23.0%			23.6%
Profit before tax	195.2	4.4	13.1	1.8	214.5	168.6	4.5		173.1
Profit for the year	148.1	3.7	10.5	1.5	163.8	149.6	3.6	(27.9)	125.3
Basic earnings per share	33.4p	0.8p	2.5p	0.3p	37.0p	33.9p	0.8p	(6.3)p	28.4p
Diluted earnings per share	33.2p	0.8p	2.4p	0.3p	36.7p	33.6p	0.8p	(6.3)p	28.1p

1. Operating profit margin is operating profit expressed as a percentage of revenue.

2. Operating profit conversion is operating profit expressed as a percentage of gross profit.

3 Alternative Performance Measures (APMs) continued

Free cash flow, adjusted free cash flow and adjusted operating cash flow conversion

Free cash flow is the net movement in cash and cash equivalents before net cash used in financing activities, acquisition of businesses and cash and cash equivalents acquired with businesses.

Adjusted free cash flow is free cash flow adjusted for the impact of substantial reorganisation cash flows.

Adjusted operating cash flow conversion is adjusted free cash flow before income tax and net interest paid, expressed as a percentage of adjusted operating profit.

	2019 £m	2018 £m
Net increase in cash and cash equivalents	11.8	18.2
Add back: cash used in financing activities	31.4	84.5
Add back: cash used in acquisition of businesses	34.6	–
Less: cash and cash equivalents acquired with businesses	(1.3)	–
Free cash flow	76.5	102.7
Add back: impact of substantial reorganisation cash flow	8.0	2.4
Adjusted free cash flow	84.5	105.1
Add back: income tax paid	50.8	37.8
Add back: net interest paid	6.1	4.2
Adjusted free cash flow before income tax and net interest paid	141.4	147.1
Adjusted operating profit	220.3	177.1
Adjusted operating cash flow conversion	64.2%	83.1%

Earnings before interest, tax, depreciation and amortisation (EBITDA), net debt and net debt to adjusted EBITDA

EBITDA is operating profit excluding depreciation and amortisation.

Net debt is defined and reconciled in Note 21.

Net debt to adjusted EBITDA is the ratio of net debt to EBITDA excluding one-off pension costs and substantial reorganisation costs.

	2019 £m	2018 £m
Operating profit	201.0	172.6
Add back: depreciation and amortisation	31.9	25.8
EBITDA	232.9	198.4
Add back: one-off pension costs	1.8	–
Add back: substantial reorganisation costs	13.1	4.5
Adjusted EBITDA	247.8	202.9
Net debt	122.4	65.0
Net debt to adjusted EBITDA	0.5x	0.3x

Return on capital employed (ROCE)

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

	2019 £m	2018 £m
Net assets	589.3	482.5
Add back: net debt	122.4	65.0
Add back: retirement benefit obligations	83.6	72.4
Capital employed	795.3	619.9
Adjusted operating profit	220.3	177.1
ROCE	27.7%	28.6%

NOTES TO THE GROUP ACCOUNTS

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3 Alternative Performance Measures (APMs) continued

Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables.

	2019 £m	2018 £m
Inventories	387.2	331.0
Current trade and other receivables	414.7	294.2
Current trade and other payables	(384.5)	(280.9)
Working capital	417.4	344.3
Revenue	1,884.4	1,705.3
Working capital as a percentage of revenue	22.2%	20.2%

Inventory turn

Inventory turn is cost of sales divided by inventories.

	2019 £m	2018 £m
Cost of sales	1,045.8	955.5
Inventories	387.2	331.0
Inventory turn	2.7	2.9

Ratio of capital expenditure to depreciation

Ratio of capital expenditure to depreciation is capital expenditure divided by depreciation and amortisation excluding amortisation of acquired intangibles.

	2019 £m	2018 £m
Depreciation and amortisation	31.9	25.8
Less: amortisation of acquired intangibles	(4.4)	–
Adjusted depreciation	27.5	25.8
Capital expenditure	49.2	24.9
Ratio of capital expenditure to depreciation	1.8 times	1.0 times

4 Revenue recognition

Revenue from the sale of goods is recognised in the income statement when control of the goods has transferred, which in most cases is on delivery to the customer and in other cases on collection from the Group's warehouse by the delivery company. When the Group arranges the delivery of goods where control has transferred on collection, the customer is invoiced an amount to cover the cost of freight and this is included in revenue over time as the goods are shipped. Customers are invoiced on dispatch of the goods. Revenue is measured with reference to the amount invoiced to the customer, net of any immediate discounts applicable to the order. When a customer has a right to return goods purchased, the Group estimates the obligation for the expected value of the refunds using historical experience and deducts this from the revenue recognised when the goods are sold. Obligations for retrospective customer volume discounts are estimated using historical experience and deducted from the revenue recognised when the goods are sold.

Revenue from the fees charged to clients for the provision of outsourced services is recognised either over time based on time elapsed for monthly management charges or when the related products are delivered for other management charges. The Group acts as an agent in relation to the products sourced for its clients under these outsourcing arrangements and so does not recognise the value of these parts in revenue or cost of sales. Licence fee income earned from suppliers for access to the Group's online procurement portal is recognised as their products are purchased by the Group's clients. Invoices are raised monthly.

Revenue from the sale of calibration services is recognised when control of the services has transferred, which is upon delivery to the customer of the items which have been calibrated. Customers are invoiced on dispatch of the calibrated items.

All revenue is recognised net of sales taxes and all payment terms are based on commercially reasonable terms for the respective markets and no element of financing is deemed present.

Remaining performance obligations (unsatisfied or partially unsatisfied) at the year end all relate to customer contracts that have an original expected duration of not more than one year or are invoiced based on time incurred. Therefore, as permitted under IFRS 15, the transaction price allocated to these remaining performance obligations is not disclosed.

5 Operating profit

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

When a customer has a right to return goods, the Group estimates the expected value of the goods that are likely to be returned based on historical experience and the expected gross margin. It recognises an asset for the right to recover these goods and deducts this from cost of sales when the goods are sold.

The Group receives rebates from certain vendors relating mainly to the volume of purchases made in a specified time period. These rebates are recognised as a reduction in cost of sales to the extent that the inventories purchased from the vendor and eligible for rebates have been sold in the year. Rebates on purchases that remain in inventories are deducted from the cost of inventories, thus reducing cost of sales in the income statement in the period in which the inventories are expensed. 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 amount of vendor rebates 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 inventories based on inventory turns. The Group must also make judgements to determine whether and when the amount of vendor rebates can be reliably estimated and receipt is probable so as to support recognition of a receivable. As at 31 March 2019 the Group has £6.0 million (2018: £2.8 million) of vendor rebates recognised within trade and other receivables.

Operating profit is stated after charging / (crediting):

	2019 £m	2018 £m
Fees payable to the Company's auditor for the audit of the Company and Group accounts	0.4	0.4
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	0.9	0.8
Audit-related assurance services	0.1	0.1
Total fees payable to the Company's auditor and its associates	1.4	1.3
Depreciation of property, plant and equipment	10.6	9.9
Amortisation of intangible assets included in distribution and selling expenses	16.9	15.9
Amortisation of intangible assets included in administrative expenses	4.4	–
Amortisation of government grants	(0.1)	(0.1)
Loss on foreign exchange	1.0	0.5
Loss on disposal of intangible assets	–	0.1
Loss on disposal of property, plant and equipment	0.1	1.6
Operating lease rentals payable	17.6	16.7

6 Finance income and costs

Finance costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other finance costs and finance income are calculated using the effective interest method and recognised in the income statement as incurred.

	2019 £m	2018 £m
Finance income		
Interest income on financial assets measured at amortised cost	3.4	7.4
Interest income on cross currency interest rate swap (Note 21)	0.1	0.1
Finance income	3.5	7.5
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(9.4)	(11.5)
Invoice finance charges	(0.2)	–
Finance costs expensed	(9.6)	(11.5)

NOTES TO THE GROUP ACCOUNTS

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7 Substantial reorganisation costs

As described in the Annual Report and Accounts for the year ended 31 March 2018, in May 2018 the Group launched a second phase to the PIP which aims to enhance the Group's organisational model and capabilities to drive continued growth and improved profitability and gave rise to the following substantial reorganisation costs, which are excluded from adjusted performance measures:

	2019 £m	2018 £m
Redundancy and associated costs	13.8	2.2
Dilapidation costs for leased buildings	0.1	–
Onerous lease (credits) / costs	(0.8)	2.1
Asset write-offs	–	0.2
Total substantial reorganisation costs	13.1	4.5

During the year ended 31 March 2018, the Group consolidated its Oxford-based headquarters with its London-based digital office into one enlarged head office and digital hub in King's Cross, London. As a result, onerous lease costs on the Oxford premises as well as redundancy costs associated with the office closure were incurred. Also, the Group incurred some other labour-related restructuring costs, concluding the first phase of the PIP.

On 10 April 2019, the Group completed the assignment of the lease of the Oxford premises to a third party and so during the year ended 31 March 2019 released the surplus onerous contract provision (Note 23).

8 Employees

Average number of employees	2019 £m	2018 £m
Management and administration	1,049	747
Distribution and marketing	5,554	5,121
Total	6,603	5,868

Aggregate employment costs	2019 £m	2018 £m
Wages and salaries	244.4	224.5
Social security costs	30.5	23.6
Share-based payments – equity-settled (Note 9)	7.7	5.3
Share-based payments – cash-settled (Note 9)	3.8	5.5
Defined contribution retirement benefit costs (Note 10)	10.9	11.3
Defined benefit retirement benefit costs (Note 10)	7.5	7.3
Total	304.8	277.5
Termination benefits	17.2	5.0
Total	322.0	282.5

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 79 to 96.

9 Share-based payments

The Group operates several share-based payment schemes which are the Recruitment Award, the Long Term Incentive Plan, the Deferred Share Bonus Plan and the Savings-Related Share Option Scheme.

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

Cash-settled share-based payments are measured at fair value at the balance sheet date, taking into account the estimated number of awards that will actually vest and the relative completion of the vesting period. This fair value is included in liabilities and changes in the value of these liabilities are recognised in the income statement.

The EBT established to administer the schemes owns shares in the Company which are shown in equity.

Recruitment Award – equity settled

During the year ended 31 March 2016, Lindsley Ruth was granted 513,784 awards under the Recruitment Award plan, the vesting of which was subject, in normal circumstances, to continued service and to the Remuneration Committee being satisfied that the remuneration arrangements from his previous employment had been forfeited. There were no other performance conditions. During the year ended 31 March 2019, 256,892 (2018: 256,892) shares vested.

9 Share-based payments continued

Long Term Incentive Plan (LTIP) – equity settled and cash settled

The Group has two active LTIPs: the LTIP 2014 and the LTIP 2016. Under the LTIPs, awards of shares are made to plan participants subject to service conditions and, generally, performance conditions. At the vesting date, the share award will either vest, in full or in part, or expire depending on the outcome of the performance conditions.

Those awards made under the LTIP 2014 in July 2014 (vested in May 2017) and July 2015 (vested in May 2018) that were subject to performance conditions were subject to a market performance condition based on Total Shareholder Return (TSR) of the Group versus the FTSE 250 and a non-market performance condition based on cumulative growth in adjusted earnings per share (EPS) over the vesting period.

Under the LTIP 2016, awards are subject to a market performance condition based on TSR of the Group versus a defined comparator group (see the Directors' Remuneration Report for details) and non-market performance conditions based on cumulative growth in adjusted EPS over the vesting period and Group ROCE. Awards under the LTIP 2016 may include a further award (a multiplier) that vests if the Group achieves exceptional adjusted EPS performance over the vesting period.

Some of the awards are equity-settled and some are cash-settled. All awards have £nil exercise price and receive accrued dividends on settlement.

The fair value of equity-settled LTIP awards subject to market conditions was calculated at the grant date using a Monte Carlo model, with the assumptions below.

Equity-settled LTIPs	2019		2018		
	Dec 2018	Jun 2018	Dec 2017	Jul 2017	May 2017
Market performance conditions					
Awards granted	17,306	200,703	37,939	170	210,816
Fair value at grant date	282p	456p	334p	343p	330p
Assumptions used:					
Share price	510p	714p	610p	602p	580p
Expected volatility	30.3%	31.7%	32.2%	33.0%	33.2%
Expected life	2 years	3 years	2 years	3 years	3 years
Risk-free interest rate	0.72%	0.79%	0.49%	0.44%	0.15%
Other conditions					
Awards granted	53,860	923,778	199,951	511	987,430
Fair value at grant date	510p	714p	610p	602p	580p

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected life of the award. The risk-free interest rate represents the yield, at the grant date, of UK government bonds with duration commensurate to the expected life of the award.

The fair value of cash-settled LTIP awards is the year-end share price of 562p (2018: 600p).

Cash-settled LTIPs	2019		2018		
	Dec 2018	Jun 2018	Dec 2017	Jul 2017	May 2017
Grant date					
Market performance conditions – awards granted	5,141	44,020	6,628	3,292	58,492
Other conditions – awards granted	20,446	191,992	33,142	16,461	250,886

The movements in the LTIP awards (equity and cash settled) were:

	2019 Number of awards	2018 Number of awards
Outstanding at 1 April	5,450,627	4,655,958
Forfeited during the year	(877,470)	(409,217)
Expired during the year	–	(198,863)
Exercised during the year	(1,133,205)	(402,969)
Granted during the year	1,457,246	1,805,718
Outstanding at 31 March	4,897,198	5,450,627

NOTES TO THE GROUP ACCOUNTS

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9 Share-based payments continued

Deferred Share Bonus Plan (DSBP) – equity settled

Under the DSBP, one-third of the total bonus earned by plan participants is awarded as shares and deferred for 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 is made to the participants on vesting. Deferred share awards relating to the bonus for the year ended 31 March 2019 will be awarded in June 2019. The fair value of the shares awarded during the year was 714p (2018: 580p) per share award which was the share price at the date of award.

The movements in the DSBP awards were:

	2019 Number of awards	2018 Number of awards
Outstanding at 1 April	210,566	107,693
Forfeited during the year	(38,391)	(16,934)
Exercised during the year	(59,521)	(30,561)
Granted during the year	132,783	150,368
Outstanding at 31 March	245,437	210,566

Savings-Related Share Option Scheme (SAYE) – equity settled and cash settled

The SAYE scheme is available to the majority of employees of the Group employed at the time that the invitation period commences. The UK element is equity settled and the overseas element is cash settled. The option price is based on the average market price of the Company's shares over the three days prior to the offer, discounted by 20%. The option exercise conditions are the employee's continued employment for a three-year period and the maintenance of employee's regular monthly savings. Failure of either of these conditions is normally deemed a forfeiture of the option. Employees may subscribe to the three-year or five-year scheme. 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 accrued interest. There are no market conditions attached to the vesting of the options.

The fair value of equity-settled SAYE options was calculated at the grant date using a Black-Scholes model, with the assumptions below.

Equity-settled SAYEs	3 year 2019	5 year 2019	3 year 2018	5 year 2018
Grant year ended 31 March				
Options granted	812,047	136,961	798,003	145,761
Fair value at grant date	218p	219p	151p	152p
Assumptions used:				
Share price	753p	753p	586p	586p
Exercise price	563p	563p	472p	472p
Expected volatility	32.5%	29.7%	32.9%	29.8%
Expected option life	3 years	5 years	3 years	5 years
Expected dividend yield	2.90%	2.90%	2.90%	2.90%
Risk-free interest rate	0.72%	1.00%	0.35%	0.61%

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent three-year or five-year period as appropriate. Expected dividend yield was the annual dividend yield as of the grant date. The risk-free interest rate was the yield, at the grant date, of three-year or five-year (as applicable) UK government bonds.

The fair value of cash-settled SAYE options is calculated at year end using a Black-Scholes model, with the assumptions below.

Cash-settled SAYEs	3 year 2019	5 year 2019	3 year 2018	5 year 2018
Grant year ended 31 March				
Options granted	506,276	35,052	389,351	25,073
Fair value at year end	86p	119p	114p	148p
Assumptions used:				
Year-end share price	562p	562p	562p	562p
Exercise price	563p	563p	472p	472p
Expected volatility	28.3%	30.6%	28.1%	31.7%
Expected remaining option life	2.5 years	4.5 years	1.5 years	3.5 years
Expected dividend yield	2.10%	2.10%	2.10%	2.10%
Risk-free interest rate	0.66%	0.77%	0.65%	0.71%

9 Share-based payments continued

Expected volatility is estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected remaining life of the option. Expected dividend yield is the annual dividend yield as of the year end. The risk-free interest rate is the yield, at the year end, of UK government bonds with duration commensurate to the expected remaining life of the option.

The movements in and weighted average exercise price of the SAYE options (equity and cash settled) were:

	2019		2018	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 April	277p	4,689,476	208p	5,272,512
Forfeited during the year	431p	(403,416)	258p	(557,307)
Expired during the year	213p	(84,985)	208p	(193,711)
Exercised during the year	200p	(1,685,797)	208p	(1,190,206)
Granted during the year	563p	1,490,336	472p	1,358,188
Outstanding at 31 March	402p	4,005,614	277p	4,689,476
Exercisable at 31 March	n/a	—	n/a	—

SAYE options outstanding at the year end were:

	2019	2018
Option prices:		
£1.00–£1.99	446,541	2,019,398
£2.00–£2.99	1,142,870	1,772,882
£4.00–£4.99	1,060,667	897,196
£5.00–£5.99	1,355,536	—
	4,005,614	4,689,476
Weighted average remaining contractual life (in years)	1.68	1.59

The weighted average share price during the period of exercise of SAYE options was 703p (2018: 517p).

10 Retirement benefit obligations

For defined benefit schemes, the surplus or deficit recognised in the balance sheet is the difference between the fair value of the scheme assets and the present value of the obligations at the balance sheet date. The present value of the obligations is measured using the projected unit credit method and a discount rate reflecting yields on high-quality corporate bonds. The operating profit charge comprises the current service cost, net interest cost, past service costs, curtailment gains and losses and settlement gains and losses. The net interest cost is based on the discount rate at the beginning of the year, contributions paid in and the surplus or deficit during the year. Past service costs and curtailment gains and losses are recognised at the earlier of when the scheme amendment or curtailment occurs and when any related reorganisation costs or termination benefits are recognised. Settlement gains and losses are recognised when the settlement occurs. Remeasurements, representing returns on scheme assets excluding amounts included in interest and actuarial gains and losses arising from changes in demographic and financial assumptions and experience adjustments, are recognised in other comprehensive income.

The Group's largest defined benefit pension scheme is in the UK, providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2003. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. For UK employees who joined after 1 April 2003 the Group provides a defined contribution pension scheme. The Group also has defined benefit pension schemes in Germany and the Republic of Ireland, which are closed to both new members and accruals for future service, and defined benefit indemnity schemes in France and Italy.

For defined contribution schemes, the costs are charged to operating profit as they fall due. The Group has defined contribution schemes in the UK, Australia, North America, Germany and the Republic of Ireland. The Group contributes to government schemes in France, Italy, Scandinavia and Asia and these are defined contribution schemes. The Group also makes payments to employees' personal pensions in the UK when their employing company does not provide defined benefit or defined contribution schemes.

NOTES TO THE GROUP ACCOUNTS

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10 Retirement benefit obligations continued

Regulatory framework and governance

The UK scheme, the Electrocomponents Group Pension Scheme, is a registered scheme established under trust law and, as such, is subject to UK pension, tax and trust legislation. It is managed by a corporate trustee, Electrocomponents Pension Trustees Limited (the Trustee). The Trustee includes representatives appointed by both the Company and employees. Although the Company bears the financial cost of the scheme the Trustee directors are responsible for the overall management of the scheme, including compliance with applicable regulations and legislation. The Trustee directors are required by law to act in the interest of all relevant beneficiaries and to set certain policies, to manage the day-to-day administration of the benefits and to set the scheme investment strategy in consultation with the Company.

UK pensions are regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website: www.thepensionsregulator.gov.uk.

Deficit position and funding

The rules of the 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 that it has no current intention of exercising its power to wind up the scheme.

The funding of the UK defined benefit scheme is assessed using assumptions in accordance with the advice of independent actuaries. These assumptions may be different to those used for the accounting valuation. The last triennial funding valuation was carried out as at 31 March 2016 and revealed a funding deficit of £60.8 million. Under the associated recovery plan, the Company agreed to make shortfall contribution payments of £4.3 million per annum throughout the period to 28 February 2023. For the period up to 28 February 2023, the Company may also be required to pay an additional shortfall contribution of up to £2.7 million per annum and this payment will be dependent on the Trustee's assessment of the scheme's funding position at the preceding March. Both of these shortfall contributions increase at each 1 April in line with the Retail Price Index (RPI) for the year to the preceding December.

Based on the funding position as at 31 March 2019, in the year ending 31 March 2020 the Group expects to contribute £10.3 million contributions to the UK defined benefit scheme, including £7.7 million of shortfall contribution payments, and £0.4 million to the other defined benefit schemes. The UK shortfall contribution payments may change when the triennial funding valuation as at 31 March 2019 is completed during the year ending 31 March 2020.

Based on the schemes' rules IFRIC 14 applies, as the Group has assessed it does not have an unconditional right to any surplus that may arise on the schemes. At 31 March 2019, no adjustments under IFRIC 14 have been made. The Group has not disclosed any further liabilities at 31 March 2019 under the minimum funding requirements as these are lower than the accounting deficit.

Investment strategy and risk exposure

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 Trustee reviewed the investment strategy with the aim of de-risking the investments over time. Following this review, a de-risking cash flow driven investment strategy was developed which will see a move away from growth assets (equities and diversified growth funds) into a predominantly fixed income strategy with lower risk credit assets, gilts and corporate bonds. During the year, the move away from equities was completed. The approach for managing the UK scheme's risks is set out below.

Interest rate risk

The Trustee has set a benchmark for total investment in bonds (government and corporate), interest rate swaps, inflation swaps, gilt repurchase agreements and cash as part of its matching asset portfolio (comprising the qualifying investor alternative investment fund (QIAIF), a bespoke pooled structure in which the scheme is the sole investor). Under this strategy, if gilt yields fall, the value of the investments within the matching asset portfolio will rise to help match the increase in the valuation of the liabilities arising from a fall in the discount rate, which is derived from gilt yields. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate.

Inflation risk

The scheme holds index-linked gilts, inflation swaps and repurchase agreements to manage against inflation risk associated with pension liability increases.

Longevity risk

Prudent mortality assumptions are used that appropriately allow for future improvements in life expectancy. These assumptions are reviewed on a regular basis to ensure they remain appropriate. The Trustee uses the Club Vita Service to provide a better estimate of the mortality rates of the scheme's membership than the standard tables. With effect from 1 June 2008 the scheme introduced a mortality risk sharing mechanism whereby members' benefits for pensionable service after that date will be reduced if the life expectancy of the scheme's members increase more quickly than a pre-determined rate.

10 Retirement benefit obligations continued

Assumptions

Financial assumptions

The principal assumptions used to determine the defined benefit obligations were:

	2019		2018	
	UK	Other	UK	Other
Discount rate	2.40%	1.42%	2.70%	1.74%
Rate of increase in pensionable salaries	Nil	2.50%	Nil	2.13%
Rate of RPI inflation	3.10%	1.73%	3.00%	1.73%
Rate of CPI inflation	2.10%	1.73%	2.00%	1.73%
Rate of pension increases				
RPI inflation capped at 5.0% p.a.	3.00%	n/a	2.90%	n/a
RPI inflation capped at 2.5% p.a.	2.05%	n/a	2.05%	n/a

Life expectancy assumptions

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

	2019	2018
	Years	Years
Member aged 65 (current life expectancy) – male	22.8	22.7
Member aged 65 (current life expectancy) – female	24.1	24.0
Member aged 45 (life expectancy at aged 65) – male	24.1	24.0
Member aged 45 (life expectancy at aged 65) – female	26.7	26.6

At 31 March 2019, the weighted average duration of the UK defined benefit obligation was 20 years.

Sensitivity analysis of the impact of changes in key assumptions

The calculations of the defined benefit obligations are sensitive to the assumptions used. The sensitivity analysis below is based on a change in the assumption on the UK scheme while holding all other assumptions constant; in practice changes in some of the assumptions may be correlated.

A change would have the following increase / (decrease) on the UK defined benefit obligations as at 31 March 2019:

	Increase in assumption £m	Decrease in assumption £m
Effect on obligation of a 0.1% change to the assumed discount rate	(11.7)	12.2
Effect on obligation of a 0.1% change in the assumed inflation rate	6.3	(9.3)
Effect on obligation of an assumed increase in one year's life expectancy	20.1	

Income statement

The net charge / (credit) recognised in operating profit for retirement benefit obligations was:

	2019			2018		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Current service cost	3.4	0.2	3.6	4.1	0.2	4.3
Past service cost	1.8	(0.3)	1.5	–	(0.1)	(0.1)
Interest expense on obligation	14.9	0.4	15.3	15.1	0.4	15.5
Interest income on scheme assets	(13.5)	(0.1)	(13.6)	(12.9)	(0.1)	(13.0)
Administrative expenses	0.7	–	0.7	0.6	–	0.6
Total charge for defined benefit schemes	7.3	0.2	7.5	6.9	0.4	7.3
Total charge for defined contribution schemes and personal pensions	3.1	7.8	10.9	4.1	7.2	11.3

The past service cost in the UK relates to the equalisation of guaranteed minimum pensions (GMP) between members of different sexes. This is excluded from adjusted profit measures.

NOTES TO THE GROUP ACCOUNTS

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10 Retirement benefit obligations continued

Balance sheet

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

	2019			2018		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Fair value of scheme assets	524.9	7.5	532.4	504.6	7.1	511.7
Present value of defined benefit obligations	(594.3)	(21.7)	(616.0)	(562.7)	(21.4)	(584.1)
Retirement benefit obligations	(69.4)	(14.2)	(83.6)	(58.1)	(14.3)	(72.4)

The other defined benefit schemes were:

	2019			2018		
	Fair value of scheme assets £m	Present value of defined benefit obligations £m	Retirement benefit obligations £m	Fair value of scheme assets £m	Present value of defined benefit obligations £m	Retirement benefit obligations £m
Germany's defined benefit pension scheme	–	(9.9)	(9.9)	–	(9.3)	(9.3)
Republic of Ireland's defined benefit pension scheme	7.5	(7.2)	0.3	7.1	(7.3)	(0.2)
France's defined benefit retirement indemnity scheme	–	(3.3)	(3.3)	–	(3.3)	(3.3)
Italy's defined benefit retirement indemnity scheme	–	(1.3)	(1.3)	–	(1.5)	(1.5)
Other	7.5	(21.7)	(14.2)	7.1	(21.4)	(14.3)

Movements in the present value of the defined benefit obligations in the year were:

	2019			2018		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	562.7	21.4	584.1	590.9	20.2	611.1
Current service cost	3.4	0.2	3.6	4.1	0.2	4.3
Past service cost	1.8	(0.3)	1.5	–	(0.1)	(0.1)
Interest expense	14.9	0.4	15.3	15.1	0.4	15.5
Insurance premiums for risk benefits	(0.2)	–	(0.2)	(0.1)	–	(0.1)
Effect of changes in demographic assumptions	–	0.1	0.1	–	–	–
Effect of changes in financial assumptions	34.0	1.2	35.2	(26.4)	0.6	(25.8)
Effect of experience adjustments	–	(0.1)	(0.1)	–	(0.3)	(0.3)
Benefits paid	(22.3)	(0.7)	(23.0)	(20.9)	(0.3)	(21.2)
Exchange differences	–	(0.5)	(0.5)	–	0.7	0.7
At 31 March	594.3	21.7	616.0	562.7	21.4	584.1

Movements in the fair value of the schemes' assets in the year were:

	2019			2018		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	504.6	7.1	511.7	500.0	6.5	506.5
Interest income	13.5	0.1	13.6	12.9	0.1	13.0
Return on scheme assets (excluding interest income)	19.6	0.5	20.1	2.8	0.1	2.9
Contributions by company	10.4	0.7	11.1	10.5	0.4	10.9
Benefits paid	(22.3)	(0.7)	(23.0)	(20.9)	(0.3)	(21.2)
Administrative expenses	(0.7)	–	(0.7)	(0.6)	–	(0.6)
Insurance premiums for risk benefits	(0.2)	–	(0.2)	(0.1)	–	(0.1)
Exchange differences	–	(0.2)	(0.2)	–	0.3	0.3
At 31 March	524.9	7.5	532.4	504.6	7.1	511.7

10 Retirement benefit obligations continued

The fair values of the schemes' assets were:

	2019			2018		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
QIAIF (liability driven investment and credit portfolio of quoted assets)	294.9	–	294.9	226.4	–	226.4
Diversified growth funds	92.5	–	92.5	107.7	–	107.7
Quoted equities	–	5.1	5.1	35.0	4.9	39.9
Quoted debt instruments	101.1	2.4	103.5	105.4	2.2	107.6
Unquoted debt instruments	34.9	–	34.9	29.0	–	29.0
Cash	1.5	–	1.5	1.1	–	1.1
Total market value of scheme assets	524.9	7.5	532.4	504.6	7.1	511.7

The defined benefit schemes do not invest in the Company and no property or other assets owned by the schemes are used by the Group.

Of the underlying assets in the diversified growth funds around 65% (2018: 60%) are quoted. The fair values of the underlying unquoted assets in the diversified growth funds and the unquoted debt instruments are determined by the fund managers using quoted prices for similar assets or other valuation techniques where all the inputs are directly observable or indirectly observable from market data.

11 Taxation

Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

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.

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 that are expected to apply when the 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.

No deferred tax liabilities are recognised on the initial recognition of goodwill. However, when goodwill arises in a jurisdiction where it is deductible in determining taxable profit, the amortisation for tax purposes of goodwill creates a taxable temporary difference and this resulting deferred tax liability is recognised.

Significant estimates in tax

The Group recognises a current tax provision when the Group has a present obligation as a result of a past event, and it is considered probable that there will be a future outflow of funds. As an international business, the Group is exposed to the income tax laws of the large number of jurisdictions in which it operates. These laws are complex and subject to different interpretations by taxpayers and tax authorities. The Group's uncertain tax positions principally relate to cross-border transfer pricing. The assessment of uncertain tax positions is subjective. It is based on the Group's interpretation of country-specific tax law and its application and interaction, on previous experience and on management's professional judgement supported by external advisors where necessary.

Provisions for uncertain tax positions are included within current tax liabilities. As at 31 March 2019, the total value of these tax provisions was £7.8 million (2018: £7.8 million). The Group has arrived at this estimate by making judgements about the position likely to be taken by each tax authority. It is possible that the amounts paid will be different from the amounts provided.

NOTES TO THE GROUP ACCOUNTS

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11 Taxation continued

Tax expense / (income) recognised in the income statement

	2019 £m	2018 £m
UK corporation tax	20.2	22.4
UK deferred taxation	(2.1)	(1.2)
Overseas current taxation	18.1	21.2
Overseas deferred taxation	29.1	25.2
Significant tax rate change – US deferred tax credit	(0.1)	0.5
Income tax expense	47.1	19.0

The enactment of the US Tax Cuts and Jobs Act in December 2017 lowered the US corporate income tax rate from 35% to 21% from January 2018. In the year ended 31 March 2018, the US deferred tax balances were remeasured at this new income tax rate resulting in a deferred tax credit of £27.9 million which was excluded from adjusted profit for the year. For the year ended 31 March 2019 onwards, it also reduces the Group's effective tax rate.

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

	2019 £m	2018 £m
Profit before tax	195.2	168.6
Expected tax charge at UK corporation tax rate of 19% (2018: 19%)	37.1	32.0
Recurring items		
Differences in overseas corporation tax rates	6.8	9.6
Impact of tax losses	(1.8)	0.2
Items not taxable for tax purposes	(0.4)	(0.2)
Items not deductible for tax purposes	1.8	1.2
Other local taxes suffered overseas	0.3	0.3
Non-recurring items		
Remeasurement of US deferred tax balances	–	(27.9)
Movement in uncertain tax provisions in current year	4.4	4.6
Movement in uncertain tax provisions for prior years	(1.2)	(0.4)
Prior year adjustments – current taxation	(0.5)	(0.7)
Prior year adjustments – deferred taxation	0.6	0.3
	47.1	19.0

The Group's effective tax rate reflects the impact of higher tax rates in overseas jurisdictions where the Group earns profit. Based on current business plans, the mix of profits is not expected to change significantly in the future.

In September 2016, the UK government enacted a change in the UK corporation tax rate from 19% to 17% effective from 1 April 2020 and so the UK deferred tax balances have been calculated at the new rate.

Tax expense / (income) recognised directly in other comprehensive income

	2019 £m	2018 £m
Relating to remeasurement of retirement benefit obligations	(2.7)	4.9
Relating to movement in cash flow hedges	1.4	(0.3)
	(1.3)	4.6

11 Taxation continued

Movement in deferred tax assets and liabilities

	Intangible assets (excluding goodwill) and property, plant and equipment £m	Goodwill £m	Retirement benefit obligations £m	Employee benefits £m	Tax losses £m	Other £m	Net tax (liabilities) / assets £m
At 1 April 2017	(5.6)	(77.4)	17.4	2.1	1.3	3.9	(58.3)
Credit / (charge) to income	2.3	26.1	(0.5)	3.1	0.4	(2.8)	28.6
Recognised directly in equity	–	–	(4.9)	1.0	–	0.3	(3.6)
Translation differences	0.2	6.7	0.1	(0.1)	–	(0.1)	6.8
At 31 March 2018	(3.1)	(44.6)	12.1	6.1	1.7	1.3	(26.5)
Acquisitions (Note 29)	(7.9)	–	–	–	–	–	(7.9)
Credit / (charge) to income	0.4	(0.2)	(0.6)	0.5	1.0	1.1	2.2
Recognised directly in equity	–	–	2.7	(1.2)	–	(0.5)	1.0
Translation differences	(0.1)	(3.3)	(0.1)	–	–	–	(3.5)
At 31 March 2019	(10.7)	(48.1)	14.1	5.4	2.7	1.9	(34.7)

Analysed in the balance sheet as:

	2019 £m	2018 £m
Deferred tax assets	15.6	20.2
Deferred tax liabilities	(50.3)	(46.7)
	(34.7)	(26.5)

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. A deferred tax asset has not been recognised in respect of carry-forward tax losses where recoverability is uncertain totalling £3.6 million (2018: £4.1 million) which carries no expiry date.

12 Dividends

	2019 £m	2018 £m
Final dividend for the year ended 31 March 2018 – 8.0p (2017: 7.3p)	35.4	32.2
Interim dividend for the year ended 31 March 2019 – 5.3p (2018: 5.25p)	23.5	23.2
	58.9	55.4

The amount waived by the trustees of the EBT in respect of the interim and final dividends was £nil (2018: £0.1 million).

The proposed final dividend of 9.5p is subject to approval by shareholders at the Annual General Meeting on 17 July 2019 and the estimated amount to be paid of £42.1 million has not been included as a liability in these accounts.

13 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year excluding shares held by the EBT.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume the conversion of all potentially dilutive ordinary shares. The share-based payment schemes which result in the issue of shares at a value below the market price of the shares are potentially dilutive.

	2019 Number	2018 Number
Weighted average number of shares	442,925,353	441,149,637
Dilutive effect of share-based payments	3,332,050	4,107,325
Diluted weighted average number of shares	446,257,403	445,256,962
Basic earnings per share	33.4p	33.9p
Diluted earnings per share	33.2p	33.6p

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14 Intangible assets

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value attributed to the net assets acquired (including contingent liabilities). Goodwill is not amortised but is reviewed annually for impairment. Acquisition-related costs are charged to the income statement as incurred.

Intangible assets excluding goodwill are stated at cost, or fair value at the date of acquisition, less accumulated amortisation and any provisions for impairment. Residual value is reassessed annually. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Amortisation is calculated to write off the cost on a straight-line basis at the following annual rates from the date the assets are first available for use:

Software	10% – 50%
Customer contracts and relationships	10% – 14%
Acquired research	11%

	Goodwill £m	Software £m	Customer contracts and relationships £m	Acquired research £m	Other intangibles £m	Total £m
Cost						
At 1 April 2017	208.2	232.6	–	–	0.4	441.2
Additions	–	11.5	–	–	–	11.5
Disposals	–	(0.1)	–	–	(0.4)	(0.5)
Translation differences	(21.7)	(1.9)	–	–	–	(23.6)
At 31 March 2018	186.5	242.1	–	–	–	428.6
Additions	–	18.2	–	–	–	18.2
Acquisitions (Note 29)	30.7	4.4	41.8	1.1	–	78.0
Reclassifications	–	0.9	–	–	–	0.9
Translation differences	14.0	1.4	–	–	–	15.4
At 31 March 2019	231.2	267.0	41.8	1.1	–	541.1
Amortisation						
At 1 April 2017	–	180.5	–	–	0.4	180.9
Charge for the year	–	15.9	–	–	–	15.9
Disposals	–	–	–	–	(0.4)	(0.4)
Translation differences	–	(1.1)	–	–	–	(1.1)
At 31 March 2018	–	195.3	–	–	–	195.3
Charge for the year	–	17.6	3.7	–	–	21.3
Impairment losses	–	2.2	–	–	–	2.2
Reclassifications	–	0.5	–	–	–	0.5
Translation differences	–	0.9	–	–	–	0.9
At 31 March 2019	–	216.5	3.7	–	–	220.2
Net book value						
At 31 March 2019	231.2	50.5	38.1	1.1	–	320.9
At 31 March 2018	186.5	46.8	–	–	–	233.3

At 31 March 2019, the net book value of internally generated intangible assets included in software was £9.5 million (2018: £7.1 million).

The Group reviews its intangible assets regularly to assess if there are any indications the assets may be impaired. In addition, goodwill and any other intangible assets that are not yet being amortised are subject to annual impairment reviews.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount is calculated as the higher of fair value less costs of disposal and value in use. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

For the goodwill impairment reviews, the recoverable amount of the CGUs is based on value-in-use calculations, which use cash flow projections based on the Group's annual targets and strategic plan which cover the next five years. The key assumptions used are the revenue and gross margin growth rates, the selection of which involves significant judgement. These are determined using internal forecasts based upon historical growth rates and future medium-term plans together with relevant macroeconomic indicators. These cash flow projections are then extrapolated using the relevant long-term growth rate for the CGU and discounted at the Group's pre-tax weighted average cost of capital adjusted for the estimated tax cash flows and risk applicable for the CGU.

14 Intangible assets continued

Of the total goodwill, £200.0 million (2018: £186.0 million) relates to the Americas CGU and £31.2 million (2018: £0.5 million) relates to the EMEA CGU. The goodwill relating to the Americas CGU has been fully amortised for tax purposes.

For the Americas CGU, the long-term growth rate is 1.8% (2018: 2.0%) which is consistent with the prudent market estimate of long-term average growth rates for the distribution industry and does not exceed expected long-term GDP growth for the Americas. The pre-tax discount rate is 9.8% (2018: 9.0%). The selection of both of these involves significant judgement.

For the EMEA CGU, the long-term growth rate is 1.8% which is consistent with the prudent market estimate of long-term average growth rates for the distribution and value-added solutions industries and does not exceed expected long-term GDP growth for EMEA. The pre-tax discount rate is 10.0%. The selection of both of these involves significant judgement.

There is significant headroom between the carrying amount and the value in use of the CGUs, therefore the Directors believe that currently all reasonably likely changes in the key assumptions referred to above would not give rise to an impairment charge.

The impairment losses relate to software that is not being used and are included in distribution and marketing expenses in EMEA.

15 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment. The cost of self-constructed assets includes the cost of materials, direct labour and certain direct overheads.

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

Freehold and leasehold buildings	2% (or the lease term if shorter)
Plant and machinery	10% – 20%
Computer equipment	20% – 33%

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost				
At 1 April 2017	115.3	148.6	71.3	335.2
Additions	2.0	8.2	3.2	13.4
Disposals	(1.8)	(0.6)	(0.3)	(2.7)
Translation differences	(1.0)	(0.9)	(1.0)	(2.9)
At 31 March 2018	114.5	155.3	73.2	343.0
Additions	14.5	12.6	4.0	31.1
Acquisitions (Note 29)	–	0.8	0.3	1.1
Disposals	(0.2)	(0.3)	(1.6)	(2.1)
Reclassifications	0.6	–	(1.5)	(0.9)
Translation differences	0.8	0.6	0.5	1.9
At 31 March 2019	130.2	169.0	74.9	374.1

Depreciation

At 1 April 2017	45.3	127.9	65.1	238.3
Charge for the year	2.3	4.9	2.7	9.9
Disposals	(0.3)	(0.3)	(0.3)	(0.9)
Translation differences	(0.1)	(0.7)	(0.8)	(1.6)
At 31 March 2018	47.2	131.8	66.7	245.7
Charge for the year	2.3	5.3	3.0	10.6
Disposals	(0.2)	(0.2)	(1.6)	(2.0)
Reclassifications	0.5	(0.6)	(0.4)	(0.5)
Translation differences	–	0.4	0.3	0.7
At 31 March 2019	49.8	136.7	68.0	254.5

Net book value

At 31 March 2019	80.4	32.3	6.9	119.6
At 31 March 2018	67.3	23.5	6.5	97.3

Included above are £19.1 million of property, plant and equipment under construction at 31 March 2019 (2018: £2.1 million). Finance costs capitalised were £0.2 million (2018: £nil) calculated using a capitalisation rate of 3.5%.

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16 Investment in joint venture

The Group's share of the post-tax profit of its joint venture is included in profit before tax. The investment in the joint venture is carried in the Group balance sheet at historical cost plus post-acquisition changes in the Group's share of the joint venture's net assets.

	2019 £m	2018 £m
At 1 April	0.8	1.0
Group's share of profit for the year	0.3	–
Group's share of other comprehensive expense	–	(0.1)
Group's share of total comprehensive income / (expense)	0.3	(0.1)
Dividends	(0.2)	(0.1)
At 31 March	0.9	0.8

The Group owns 50% of the share capital of RS Components & Controls (India) Limited, its joint venture.

17 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and for finished goods and goods for resale includes attributable overheads.

The Group estimates the net realisable value of inventories in order to determine the value of any provision required and in this estimation judgements are made in relation to the duration of product life cycles, anticipated revenue over these life cycles and the value recoverable from any inventories that exceed anticipated demand. The Group bases its estimates on historical experience and knowledge of the products on hand.

	2019 £m	2018 £m
Raw materials and consumables	70.6	62.7
Finished goods and goods for resale	344.4	296.6
Gross inventories	415.0	359.3
Inventory provisions	(27.8)	(28.3)
Net inventories	387.2	331.0

During the year £8.0 million (2018: £7.9 million) was recognised as an expense relating to the write-down of inventories to net realisable value.

A reduction in product life cycles of one year would increase the inventory provisions by £0.6 million (2018: £0.6 million). A reduction by 10 percentage points in the value recoverable from excess inventories would increase the inventory provisions by £3.1 million (2018: £2.7 million).

18 Trade and other receivables

	2019 £m	2018 £m
Current		
Gross trade receivables	365.2	275.5
Impairment allowance (Note 22)	(3.5)	(4.8)
Net trade receivables	361.7	270.7
Amounts owed by joint venture	0.7	1.8
Prepayments	20.9	17.1
Accrued income	21.2	1.0
Other receivables	10.2	3.6
Current trade and other receivables	414.7	294.2
Non-current		
Prepayments	0.6	0.9
Other receivables	3.7	4.6
Non-current other receivables	4.3	5.5

Accrued income is mainly contract assets with customers where the Group has performed its part of the contract but is yet to raise the invoice. The increase in the year is mainly related to the businesses acquired in the year.

19 Trade and other payables

	2019 £m	2018 £m
Current		
Trade payables	257.8	174.1
Other taxation and social security	20.4	13.5
Government grants	0.1	0.1
Cash-settled share-based payment liability	5.1	4.4
Accruals	73.3	85.6
Deferred income	14.6	–
Other payables	13.2	3.2
Current trade and other payables	384.5	280.9
Non-current		
Government grants	3.1	3.3
Cash-settled share-based payment liability	2.8	4.9
Other employee benefits	3.2	2.5
Other payables	2.3	2.0
Non-current other payables	11.4	12.7

Deferred income is mainly contract liabilities with customers where the Group has received payment but is yet to perform its part of the contract. The increase in the year is mainly related to the businesses acquired in the year.

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.

20 Financial instruments

The Group uses derivative financial instruments to cover its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts, and occasionally currency swaps, to hedge against changes in exchange rates over fixed terms of between three and seven months for the majority of its operating companies. In addition, there is one cross currency interest rate swap which swaps US dollar fixed rate private placement loan notes into sterling at a fixed rate.

In accordance with its treasury policies, the Group designates the majority of its derivative financial instruments as cash flow hedges, fair value hedges or net investment hedges. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised at fair value. Derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are classified as measured at fair value through profit or loss and changes in their fair values are recognised in the income statement as they arise.

Cash flow hedge accounting

The Group uses derivative financial instruments to hedge 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 in other comprehensive income, whilst any ineffective part is recognised immediately in the income statement. When the hedged item subsequently results in the recognition of a non-financial asset or liability (e.g. inventories) the associated cumulative gain or loss recognised in the hedging reserve is transferred to the initial carrying amount of the asset or liability. When the hedged item subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to the income statement in the same period that the hedged item 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 reclassified from equity when the transaction occurs in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is reclassified to 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.

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20 Financial instruments continued

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 cross currency interest rate swap which swaps US dollar fixed rate private placement loan notes into sterling at a fixed rate. The fair value of the swap is the market value of the swap at the balance sheet date, taking into account current interest rates.

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.

Net investment hedge accounting

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 in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts taken to other comprehensive income are reclassified from equity to the income statement when the foreign operations are sold or liquidated.

Other financial instruments

All other financial instruments are initially recognised at fair value plus transaction costs. Initial fair value is generally the transaction price. Subsequent measurement is as follows:

- Borrowings are measured at amortised cost unless they are designated as being fair value hedged, in which case they are remeasured for the fair value changes in respect of the hedged risk with these changes recognised in the income statement.
- All other financial assets and liabilities, including short-term receivables and payables, are measured at amortised cost less any impairment allowances.

Other derivatives

	2019		2018	
	Current assets £m	Current liabilities £m	Current assets £m	Current liabilities £m
Forward foreign exchange contracts designated as cash flow hedges (principal amount £126.7 million (2018: £93.4 million))	1.7	(0.6)	0.8	(1.1)
Forward foreign exchange contracts classified as fair value through profit or loss	1.0	(0.2)	–	(1.7)
Other derivatives	2.7	(0.8)	0.8	(2.8)

Fair values

Under IFRS 7 ‘Financial Instruments: Disclosures’, fair values are measured using a hierarchy where the inputs are:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – not Level 1 but are observable for that asset or liability either directly or indirectly
- Level 3 – not based on observable market data (unobservable)

The other derivatives listed above, the cross currency interest rate swap and the fair value of the private placement loan notes it is hedging are measured at fair value using Level 2 inputs. These are estimated by discounting the future contractual cash flows using appropriate market-sourced data at the balance sheet date.

For all financial assets and liabilities, fair value approximates the carrying amounts in the balance sheet except for the following:

	2019		2018	
	Carrying amounts £m	Fair value £m	Carrying amounts £m	Fair value £m
Non-current private placement loan notes	(76.6)	(76.1)	(71.0)	(67.8)

The fair values are calculated using Level 2 inputs by discounting future cash flows to net present values using prevailing interest rate curves.

20 Financial instruments continued

Netting arrangements for financial instruments

The Group operates a number of cash pooling arrangements to provide the benefits of settling interest on a net basis. The balances on these accounts do not meet the criteria for offsetting and so are not presented on a net basis in the balance sheet. Where a legal right of offset exists, these are shown in the table below along with any financial instruments which can be netted under master netting arrangements.

	Gross and net amounts in balance sheet £m	Financial instruments not offset £m	Net amounts £m
31 March 2019			
Cash and cash equivalents – cash and short-term deposits	129.2	(76.8)	52.4
Other derivative assets	2.7	(0.8)	1.9
Cash and cash equivalents – bank overdrafts	(78.1)	76.8	(1.3)
Other derivative liabilities	(0.8)	0.8	–
31 March 2018			
Cash and cash equivalents – cash and short-term deposits	122.9	(87.1)	35.8
Other derivative assets	0.8	(0.5)	0.3
Cash and cash equivalents – bank overdrafts	(87.5)	87.1	(0.4)
Other derivative liabilities	(2.8)	0.5	(2.3)

21 Net debt

Net debt comprises cash and cash equivalents, borrowings and cross currency interest rate swaps. Cash and cash equivalents comprise cash in hand and in current accounts, overnight deposits and short-term deposits net of overdrafts with qualifying financial institutions plus investments in money market funds. Borrowings represent term loans from qualifying financial institutions.

	2019 £m	2018 £m
Cash and short-term deposits	129.2	122.9
Bank overdrafts	(78.1)	(87.5)
Cash and cash equivalents	51.1	35.4
 Non-current borrowings		
Unsecured bank facilities repayable from four to five years	–	(29.9)
Unsecured bank facilities repayable from three to four years	(23.7)	–
Unsecured bank facilities repayable from one to two years	(75.0)	–
Unsecured private placement loan notes repayable from two to three years	–	(71.0)
Unsecured private placement loan notes repayable from one to two years	(76.6)	–
Non-current borrowings	(175.3)	(100.9)
Cross currency interest rate swap – non-current	1.8	0.5
Cash and cash equivalents	51.1	35.4
Net debt	(122.4)	(65.0)

The non-current cross currency interest rate swap is designated as a fair value hedge and swaps US\$20 million of the private placement loan notes from fixed rate US dollars at 2.97% into sterling of £13.4 million at a fixed interest rate of 2.584%. The details of this swap and the hedged item are:

	2019		2018	
	Cross currency interest rate swap £m	Private placement loan note hedged £m	Cross currency interest rate swap £m	Private placement loan note hedged £m
Carrying amount of asset / (liability)	1.8	(15.2)	0.5	(13.9)
Accumulated fair value adjustments gain / (loss)	1.8	(1.8)	0.5	(0.5)
Gain / (loss) in fair value in year	1.3	(1.3)	(4.4)	4.4

NOTES TO THE GROUP ACCOUNTS

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21 Net debt continued

Movements in net debt were:

	2019 £m	2018 £m
Net debt at 1 April	(65.0)	(112.9)
Net increase in cash and cash equivalents	11.8	18.2
Loans and finance leases acquired with businesses (Note 29)	(42.1)	–
Loans drawn down	(97.7)	(25.5)
Loans repaid	70.5	52.8
Translation differences	0.1	2.4
Net debt at 31 March	(122.4)	(65.0)

22 Financial risk management

The principal financial risks to which the Group is exposed are those of liquidity, credit and market. Market risk includes foreign currency transaction risk and interest rate risk. Each of these is managed in accordance with Board-approved policies.

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 2019 the Group had the following committed debt finance in place:

- Private placement loan notes of US\$100 million with a maturity of June 2020
- A syndicated multi-currency facility for US\$75 million, £85 million and €50 million with a maturity of August 2022
- A £75 million facility with a maturity of May 2020

As at 31 March 2019, the Group had £161.8 million (2018: £152.5 million) of available 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 contractual maturities of financial liabilities, including contractual future interest payments were:

	Carrying amounts £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m
Derivative financial liabilities							
Inflows for forward foreign exchange contracts	94.7	94.7	94.7	–	–	–	–
Outflows for forward foreign exchange contracts	(95.5)	(95.5)	(95.5)	–	–	–	–
Forward foreign exchange contracts	(0.8)	(0.8)	(0.8)	–	–	–	–
Non-derivative financial liabilities							
Bank facilities	(98.7)	(101.5)	(1.4)	(75.7)	(0.5)	(23.9)	–
Private placement loan notes	(76.6)	(80.2)	(2.3)	(77.9)	–	–	–
Bank overdrafts	(78.1)	(78.1)	(78.1)	–	–	–	–
Trade payables, other payables and accruals	(342.9)	(342.9)	(342.9)	–	–	–	–
At 31 March 2019	(597.1)	(603.5)	(425.5)	(153.6)	(0.5)	(23.9)	–

	Carrying amounts £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m
Derivative financial liabilities							
Inflows for forward foreign exchange contracts	67.7	67.7	67.7	–	–	–	–
Outflows for forward foreign exchange contracts	(70.5)	(70.5)	(70.5)	–	–	–	–
Forward foreign exchange contracts	(2.8)	(2.8)	(2.8)	–	–	–	–
Non-derivative financial liabilities							
Bank facilities	(29.9)	(32.1)	(0.5)	(0.5)	(0.5)	(0.5)	(30.1)
Private placement loan notes	(71.0)	(76.0)	(2.1)	(2.1)	(71.8)	–	–
Bank overdrafts	(87.5)	(87.5)	(87.5)	–	–	–	–
Trade payables and accruals	(262.9)	(262.9)	(262.9)	–	–	–	–
At 31 March 2018	(454.1)	(461.3)	(355.8)	(2.6)	(72.3)	(0.5)	(30.1)

22 Financial risk management continued

Credit risk

The Group is exposed to credit risk on financial assets such as cash deposits, derivative instruments and 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. The Group does not believe its credit risk has materially altered during the year.

For cash deposits and derivative instruments, 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. The impairment losses on these are immaterial.

For 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. For countries with no local operating company presence, export credit limits are set and monitored on a country basis monthly by the Treasury Committee. The impairment losses on accrued income and other receivables are immaterial.

The impairment allowance for trade receivables is measured at an amount equal to lifetime expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and the number of days from date of invoice. The expected loss rates are based on the payment profile of sales over a 24-month period from 1 April 2016 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the impairment allowance for trade receivables as at 31 March 2019 was determined as follows:

	2019		
	Expected loss rate %	Gross carrying amount £m	Loss allowance £m
0–30 days from date of invoice	0.2%	222.1	0.5
31–60 days from date of invoice	0.4%	94.8	0.4
61–90 days from date of invoice	0.9%	23.3	0.2
91–120 days from date of invoice	2.8%	7.1	0.2
Over 120 days from date of invoice	12.3%	17.9	2.2
Total		365.2	3.5

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

	2019 £m	2018 £m
Not past due	300.7	218.4
Past due 0–60 days	51.4	45.2
Past due 61–120 days	3.9	3.8
Past due over 120 days	5.7	3.3
Total	361.7	270.7

There was no material impact on the impairment allowance for trade receivables on the adoption of IFRS 9. The movement in the impairment allowance for trade receivables was as follows:

	2019 £m	2018 £m
At 1 April	(4.8)	(4.8)
Net remeasurement of impairment allowance	1.3	–
At 31 March	(3.5)	(4.8)

Trade receivables are written off when there is no reasonable expectation of recovery.

At 31 March 2019 the largest trade receivable balance was £16.7 million owed by British Steel Limited, of which £6.1 million has been received since the year end and the balance is not yet due. The maximum exposure with a single bank for deposits was £20.9 million (2018: £8.6 million) and the largest mark to market exposure for derivative financial instruments to a single bank was £1.0 million (2018: £0.2 million). The Group also occasionally uses money market funds to invest surplus cash thereby diversifying credit risk and at 31 March 2019 its exposure to these funds was £nil (2018: £15.0 million).

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22 Financial risk management continued

Market risk – foreign currency transaction risk

The Group is exposed to foreign currency transaction risk as it has operating companies with payables and receivables in currencies other than their functional currency. The Group also has foreign currency translation risk resulting from investment in foreign subsidiaries and foreign currency debt which is mainly in US dollars.

Hedging of currency exposures during periods when operating companies cannot easily change their selling prices is implemented in order to shelter the forecast gross profit 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 exchange contracts in appropriate currencies 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.

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 foreign exchange contracts as hedging instruments against forecast receivables / payables and designates the forward element of these contracts as cash flow hedges for accounting purposes. The forecast cash flows are expected to occur evenly throughout the forecast period from the year end, which is between three and seven months, and will affect the income statement in the period in which they occur or the inventories are sold. The average forward prices of the outstanding forward foreign exchange contracts are €1.13:£1 and US\$1.31:£1.

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 transaction risk has materially altered during the year. Ineffectiveness may arise if actual foreign currency transactions are lower than the trading projections.

In June 2015 the Group issued a US\$100 million of fixed interest private placement loan notes, maturing in June 2020. Using a cross currency interest rate swap also maturing in June 2020, US\$20 million of this debt is swapped at a fixed interest rate into sterling and designated as a fair value hedge. It is expected to remain highly effective over the life of the private placement loan notes.

The Group has designated US\$80 million (2018: US\$80 million) of the private placement loan notes (Note 21), with a carrying amount of £61.4 million, as hedges of US\$80 million of net investments in its US subsidiaries. These hedges are expected to remain highly effective as the change in the value of the net assets of the US subsidiaries hedged is always exactly offset by the related change in the fair value of the private placement loan notes. During the year, the Group repaid €32.7 million of external borrowings that had been designated as hedges of net investments in its European subsidiaries. No other foreign currency translation exposures are explicitly hedged although local currency debt is used where economically 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 translation risk has materially altered during the year. The balance in the cumulative translation reserve relating to the US\$80 million net investment hedge is a loss of £5.8 million with a further loss of £32.4 million relating to previous net investment hedging relationships.

Borrowings (after taking into account the effect of the cross currency interest rate swap) are analysed by currency as:

	Unsecured bank overdrafts £m	Unsecured bank facilities £m	Unsecured private placement loan notes £m	Total £m
31 March 2019				
Sterling	(55.1)	(90.0)	(13.4)	(158.5)
US dollar	(2.3)	(7.7)	(63.2)	(73.2)
Hong Kong dollar	(2.0)	–	–	(2.0)
Euro	(15.8)	–	–	(15.8)
Other	(2.9)	(1.0)	–	(3.9)
Total borrowings	(78.1)	(98.7)	(76.6)	(253.4)
31 March 2018				
Sterling	(73.0)	–	(13.4)	(86.4)
US dollar	(3.9)	–	(57.6)	(61.5)
Hong Kong dollar	(4.3)	–	–	(4.3)
Euro	(0.4)	(28.7)	–	(29.1)
Other	(5.9)	(1.2)	–	(7.1)
Total borrowings	(87.5)	(29.9)	(71.0)	(188.4)

22 Financial risk management continued

Market risk – 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 2019 and 2018, the Group had US\$100 million of private placement loan notes fixed until June 2020, of which it had swapped US\$20 million to sterling at a fixed interest rate. All other borrowings were at variable rates. At 31 March 2019, 61% (2018: 108%) of the Group's net debt was at fixed rates.

Sensitivity analysis of exposure to interest rates and foreign exchange rates

The sensitivity analysis is based on the following:

- Change of one percentage point in market interest rates affecting all variable rate elements of financial instruments; and
- Change of 5% in euro and US dollar exchange rates affecting the fair value of derivative financial instruments designated as hedging instruments and other financial assets and liabilities. The transactional foreign exchange effect in equity due to net investment hedges included below would be offset in full by the translation of the US and European subsidiaries.

	2019		2018	
	Impact on income statement gain / (loss) £m	Impact on equity gain / (loss) £m	Impact on income statement gain / (loss) £m	Impact on equity gain / (loss) £m
One percentage point increase in interest rates	(0.5)	–	0.1	–
5% weakening of the euro	1.7	1.2	(1.7)	3.0
5% weakening of the US dollar	(2.7)	0.1	(1.6)	1.2

A corresponding decrease in interest rates or strengthening of exchange rates would result in an equal and opposite effect to the amounts above.

Capital management

The Board's policy is to always maintain a strong capital base, with an appropriate debt to equity mix, to ensure investor, creditor and market confidence and to support the future development of the business. The Board monitors the return on capital employed (ROCE), which the Group defines as adjusted operating profit as a percentage of net assets excluding net debt and retirement benefit obligations, and the level of dividends to ordinary shareholders.

The Group seeks to raise debt from a variety of sources and with a variety of maturities. As at 31 March 2019, the Group had a revolving credit facility of £85 million, US\$75 million and €50 million with a maturity of August 2022, US\$100 million of private placement loan notes due in June 2020 and a £75 million facility with a maturity of May 2020. The Group's debt covenants are EBITA to interest to be greater than 3:1 and net debt to adjusted EBITDA to be less than 3.25:1. At the year end the Group comfortably met these covenants. The covenants are on frozen GAAP and so the accounting changes relating to IFRS 16 will have no impact.

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

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23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and a reasonable estimate can be made of a probable adverse outcome, for example reorganisations. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote.

	Reorganisation provision £m	Onerous contract provision £m	Dilapidation provision £m	Total £m
At 1 April 2018	1.0	1.7	–	2.7
Additions	14.3	–	0.4	14.7
Utilised	(7.7)	(0.3)	–	(8.0)
Released	–	(0.8)	–	(0.8)
Translation differences	(0.1)	–	–	(0.1)
At 31 March 2019	7.5	0.6	0.4	8.5

Analysed in the balance sheet as:

	2019 £m	2018 £m
Current	6.9	1.5
Non-current	1.6	1.2
	8.5	2.7

On 10 April 2019 the Group completed the assignment of the lease of its Oxford premises to a third party. As a result, the onerous contract provision has been adjusted to reflect the Group's remaining obligation which will be fully settled by June 2021.

The reorganisation provision is expected to be fully spent by March 2026 and the dilapidation provision is expected to be fully utilised by March 2027.

At 31 March 2019 there were no contingent liabilities (2018: none).

24 Share capital

	2019 Number of shares	2018 Number of shares	2019 £m	2018 £m
Issued and fully paid ordinary shares of 10p each:				
At 1 April	442,397,385	441,345,168	44.2	44.2
New share capital subscribed	1,450,887	1,052,217	0.2	–
At 31 March	443,848,272	442,397,385	44.4	44.2

All of the new share capital subscribed in 2019 related to share-based payments (Note 9).

The EBT buys shares on the open market and holds them in trust for employees participating in the Group's share-based payment schemes. At 31 March 2019 the EBT held 254,405 shares (2018: 959,937 shares) which had not yet vested unconditionally in employees.

25 Operating lease commitments

Operating lease rentals are charged to operating profit on a straight-line basis over the lease term, net of rent-free periods and similar incentives which are credited to operating profit on the same basis and over the same period.

Future minimum amounts payable under non-cancellable operating leases are:

	2019 £m	2018 £m
Within one year	16.5	15.2
From one to five years	32.3	26.9
After five years	10.3	3.4
	59.1	45.5

The Group leases certain properties on short-term and long-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases.

26 Capital commitments

As at 31 March 2019, the Group is contractually committed to, but has not provided for, future capital expenditure of £21.0 million (2018: £nil).

Since the year end the Group has agreed a contract to expand its German distribution centre and so is committed to a further £16.3 million of future capital expenditure.

27 Related parties

The Group's joint venture (Note 16) is a related party and during the year, the Group made sales of £2.2 million (2018: £2.1 million) to the joint venture, and a balance of £0.7 million (2018: £1.8 million) was outstanding at the year end.

The Group's pension schemes are related parties and the Group's transactions with them are disclosed in Note 10.

The key management personnel of the Group are the Directors and the Senior Management Team, whose compensation was:

	2019 £m	2018 £m
Short-term employee benefits	10.4	7.9
Post-employment benefits	0.2	0.2
Termination benefits	1.1	–
Share-based payments	1.9	2.3
	13.6	10.4

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

28 Related undertakings

A full list of related undertakings (comprising subsidiaries and a joint venture) is set out below. All subsidiaries are wholly owned and operate within their countries of incorporation. Those companies marked with an asterisk (*) are indirectly held by the Company.

Name and registered address of undertaking	Country of incorporation	Class of share held
High-service distribution of industrial and electronic products		
RS Components Pty Limited* 25, Pavesi Street, Smithfield, Sydney NSW 2164, Australia	Australia	Ordinary
RS Components Handelsgesellschaft m.b.H* Albrechtser Straße 11, 3950, Gmünd, Austria	Austria	Share of equity
Allied Electronics (Canada), Inc.* 199 Bay Street, Suite 5300, Toronto ON M5L 1B9, Canada	Canada	Common
RS Componentes Electronicos Limitada* Av. Eduardo Frei Montalva, 6001-71 Conchali, Santiago, Chile	Chile	Ordinary
RS Components Limited* Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong	China	Ordinary
RS Components (Shanghai) Company Limited* 2F of No. 53 Factory Building, No. 311 of Fu Te Road (South), Waigaoqiao Free Trade Zone, Shanghai, China	China	Common and preference
RS Components A/S* Nattergalevej 6, 2400, København NV, Denmark	Denmark	Ordinary
IESA SAS* Rue Norman King, 60000, Beauvais, France	France	Ordinary
RS Components SAS* Rue Norman King, 60000, Beauvais, France	France	Ordinary
Integrated Engineering Stores Associates Deutschland GmbH* Bleibtreustr. 21, 10623, Berlin, Germany	Germany	Ordinary
RS Components GmbH* Hessenring 13b, D-64546 Moerfelden-Walldorf, Germany	Germany	Ordinary
RS Components & Controls (India) Limited** 222 Okhla Industrial Estate, New Delhi, India	India	Ordinary
RS Components S.r.l.* Viale M. De Vizzi 93/95, Cinisello Balsamo, (MI) CAP 20092, Milan, Italy	Italy	Ordinary
RS Components KK* West Tower 12F, Yokohama Business Park, 134 Godacho, Hodogaya, Yokohama, Kanagawa, 240-0005, Japan	Japan	Ordinary

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28 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Components Sdn Bhd* Suite 7E, Level 7, Menara Ansar, 65, Jalan Trus, Johor, 80000 Johor Bahru, Malaysia	Malaysia	Ordinary
Allied Electronics & Automation S. de R.L. de C.V.* Avenida Circunvalación Agustín Yalez N° 2613 Int. 1A 105, Colonia Arcos Vallarta Sur, Guadalajara Jalisco, 44500 Mexico	Mexico	Ordinary
RS Components B.V.* Bingerweg 19, 2031 AZ Haarlem, Netherlands	Netherlands	Ordinary
RS Components Limited* Level 6, 56 Cawley Street, Ellerslie, Auckland, New Zealand	New Zealand	Ordinary
RS Components AS* 10. etg., Fredrik Selmers vei 6, Oslo, 0663, Norway	Norway	Ordinary
RS Components Corporation* 21st Floor Multinational Bancorporation Centre, 6805 Ayala Avenue, Makati City, Philippines	Philippines	Ordinary
RS Components sp. z.o.o.* ul. Puławska 303, 02-785 Warszawa, Poland	Poland	Ordinary
IESA Ireland Limited* 13-18 City Quay, Dublin 2, Ireland	Republic of Ireland	Ordinary
Radionics Limited* Glenview Industrial Estate, Herbertron Road, Rialto, Dublin 12, Ireland	Republic of Ireland	Ordinary
IESA S.E. Asia Pte. Ltd.* 10 Ubi Crescent, #06-18 Ubi Techpark, 408564, Singapore	Singapore	Ordinary
RS Components Pte Ltd* 112 Robinson Road, #05-01, 068902, Singapore	Singapore	Ordinary
IESA s.r.o.* Lazaretská 8, Bratislava- mestská časť Staré Mesto, 811 08, Slovakia	Slovakia	Ordinary
Amidata S.A.U.* Avenida de Europa, 19-2A planta, 28224 Pozuelo de Alarcón, Madrid, Spain	Spain	Ordinary
IESA AB* Drottninggatan 96, 113 60, Stockholm, Sweden	Sweden	Ordinary
RS Components AB* Fabriksgatan 7, 3v, 412 50 Gotborg, Sweden	Sweden	Ordinary
RS Components Co., Ltd* GMM Garmmy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
IESA A & D Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
IESA Limited* IESA Works, Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
Monition Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Components Limited Birchington Road, Weldon, Corby, Northamptonshire, NN17 9RS, UK	UK	Ordinary
Allied Electronics, Inc* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Holding, Financing and Management Companies		
Electrocomponents Limited Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong	China	Ordinary
RS Components Business Services (Foshan) Limited* 22nd Floor, Glory International Financial Center, No.25, Ronghe Road, Guicheng, Nanhai District, Foshan, Guangdong, 528200, China	China	Ordinary
Electrocomponents France SARL* Rue Norman King, 60000, Beauvais, France	France	Ordinary
Bodenfeld Immobilien GmbH* Hessenring 13b, D-64546 Moerfelden-Walldorf, Germany	Germany	Ordinary

28 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
Electrocomponents Jersey Finance Unlimited* 44 Esplanade, St Helier, JE4 9WG Jersey	Jersey	Common
Aghoco 1079 Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary and preference
Electrocomponents Finance Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents Overseas Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents Pension Trustees Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents U.K. Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents US Finance Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
IESA A & D Group Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
IESA A & D Holdings Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
IESA Holdings Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
RS Components Holdings Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents North America LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents (US), Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents, Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents North America, Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents US LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Not currently trading		
RS Components (Proprietary) Limited* 20 Indianapolis Street, Kyalami Business Park, Kyalami Midrand, Gauteng, 1684, South Africa	South Africa	Ordinary
Electro Lighting Group Ltd Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electro-Leasing Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electromail Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
OKDO Technology Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Radiospares Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Reading Windings Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Components International Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Group Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary

NOTES TO THE GROUP ACCOUNTS

CONTINUED

28 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Supplies Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
ECI-NJ, Inc* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary

^t Note 16 provides details about the Company's interest in the joint venture.

RS Components Limited (UK), Electrocomponents Limited (Hong Kong), RS Components B.V. (Netherlands) and RS Components GmbH (Germany) export to most countries where the Group does not have a trading company and operate branch offices in South Africa, Belgium, Switzerland, the Philippines and China (Taiwan). RS Components Limited also operates under the names of RS Calibration, RS Mechanical and RS Health & Safety in the UK.

29 Acquisitions

If the acquisitions had occurred on 1 April 2018, the Group's revenue and profit for the year ended 31 March 2019 would have been £1,892.5 million and £148.0 million respectively.

AGHOCO 1079 Limited and its subsidiaries (IESA)

On 31 May 2018 the Group acquired 100% of the issued share capital of IESA, a leading provider of value-added outsourcing services to industrial customers. In line with the Group's strategy, IESA significantly enhances and accelerates the Group's value-added services offering giving it additional capabilities to service corporate customers who choose to outsource their maintenance repair and operations (MRO) and indirect purchases and inventory management.

The fair value of the net assets acquired, consideration paid and goodwill arising were:

	£m
Intangible assets – customer contracts and relationships	41.2
Intangible assets – software	4.4
Property, plant and equipment	0.9
Non-current other receivables	0.9
Current trade and other receivables	87.7
Cash and cash equivalents – cash and short-term deposits	1.0
Current trade and other payables	(83.4)
Borrowings	(42.0)
Current income tax liabilities	(1.7)
Deferred tax liabilities	(7.6)
Net assets acquired	1.4
Goodwill	29.5
Consideration paid – cash	30.9

The fair value of trade and other receivables is equal to the gross contractual amount. No acquisition-related costs were incurred in the year ended 31 March 2019.

The goodwill is attributable to the synergies which are expected to arise from opportunities to accelerate growth in revenue by increasing the Group's penetration with IESA's customers, plus from opportunities for IESA to grow through benefiting from the Group's global presence. The goodwill will not be deductible for tax purposes.

IESA contributed revenue of £27.3 million and profit after tax of £0.8 million to the Group's results since acquisition and is included in EMEA.

29 Acquisitions continued

Monition Limited

On 31 January 2019 the Group acquired 100% of the issued share capital of Monition Limited, a UK-based pioneer in the design, development and application of leading reliability and condition-monitoring systems. In line with the Group's strategy, Monition enhances the Group's existing range of value-added solutions.

The fair value of the net assets acquired, consideration paid and goodwill arising were:

	£m
Intangible assets – customer contracts and relationships	0.6
Intangible assets – acquired research	1.1
Property, plant and equipment	0.2
Current trade and other receivables	1.2
Cash and cash equivalents – cash and short-term deposits	0.3
Current trade and other payables	(0.4)
Finance leases	(0.1)
Current income tax assets	0.1
Deferred tax liabilities	(0.3)
Net assets acquired	2.7
Goodwill	1.2
Consideration paid – cash	3.7
Consideration payable – accrued, due on agreement of completion accounts	0.2

The fair value of trade and other receivables is equal to the gross contractual amount. Acquisition-related costs of £0.1 million were incurred and included in administrative expenses in the year ended 31 March 2019.

The goodwill is attributable to the synergies which are expected to arise from opportunities to accelerate development of differentiated value-added solutions, plus from opportunities for Monition to benefit from the Group's resources and customers. The goodwill will not be deductible for tax purposes.

Monition contributed revenue of £0.4 million and loss after tax of £0.1 million to the Group's results since acquisition and is included in EMEA.

COMPANY BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Tangible assets	7	18.4	19.0
Investments in subsidiaries	8	264.2	283.0
Total fixed assets		282.6	302.0
Current assets			
Debtors: amounts falling due after more than one year	10	3.6	2.4
Debtors: amounts falling due within one year	10	433.3	85.4
Cash at bank and in hand		79.5	94.4
Total current assets		516.4	182.2
Creditors: amounts falling due within one year	11	(198.1)	(189.7)
Net current assets / (liabilities)		318.3	(7.5)
Total assets less current liabilities		600.9	294.5
Creditors: amounts falling due after more than one year	12	(177.2)	(102.6)
Provisions for liabilities and charges	13	(0.6)	(1.7)
Net assets		423.1	190.2
Capital and reserves			
Share capital	17	44.4	44.2
Share premium account		49.6	47.1
Own shares held by Employee Benefit Trust (EBT)	17	(1.2)	(4.2)
Profit and loss account (including profit for the year of £284.1 million (2018: loss £21.0 million))	17	330.3	103.1
Total equity		423.1	190.2

The Company accounts on pages 146 to 152 were approved by the Board of Directors on 20 May 2019 and were signed on its behalf by:

David Egan

Chief Financial Officer

Electrocomponents plc
Company number: 647788

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £m	Share premium account £m	Own shares held by EBT £m	Profit and loss account £m	Total £m
At 1 April 2017	44.2	44.5	(2.3)	176.2	262.6
Loss and total comprehensive expense for the year	–	–	–	(21.0)	(21.0)
Dividends (Note 17)	–	–	–	(55.4)	(55.4)
Equity-settled share-based payments (Note 5)	–	–	–	5.3	5.3
Shares allotted in respect of share awards (Note 17)	–	2.6	1.6	(2.5)	1.7
Purchase of own shares by EBT (Note 17)	–	–	(3.5)	–	(3.5)
Tax on equity-settled share-based payments	–	–	–	0.5	0.5
At 31 March 2018	44.2	47.1	(4.2)	103.1	190.2
Profit and total comprehensive income for the year	–	–	–	284.1	284.1
Dividends (Note 17)	–	–	–	(58.9)	(58.9)
Equity-settled share-based payments (Note 5)	–	–	–	7.7	7.7
Shares allotted in respect of share awards (Note 17)	0.2	2.5	5.3	(5.4)	2.6
Purchase of own shares by EBT (Note 17)	–	–	(2.3)	–	(2.3)
Tax on equity-settled share-based payments	–	–	–	(0.3)	(0.3)
At 31 March 2019	44.4	49.6	(1.2)	330.3	423.1

NOTES TO THE COMPANY ACCOUNTS

1 General information

Electrocomponents plc (the Company) is the parent company of the Electrocomponents Group and is included in the consolidated accounts of Electrocomponents plc (the Group accounts). The Company is a public limited company and is incorporated and domiciled in England and Wales. The address of its registered office is Fifth Floor, Two Pancras Square, London N1C 4AG, UK.

2 Statement of compliance

The individual accounts of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and the Companies Act 2006 (Companies Act).

3 Basis of preparation

These are the Company's separate accounts and have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit and loss. The principal accounting policies have been consistently applied unless otherwise stated.

The preparation of accounts under FRS 102 requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant that are included in these accounts.

Under section 408 of the Companies Act the Company is exempt from the requirement to present its own profit and loss account.

The Company has taken advantage of the following disclosure exemptions available under FRS 102:

- i. preparation of a cash flow statement
- ii. financial instrument disclosures
- iii. share-based payment disclosures
- iv. key management personnel compensation disclosure

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 retranslated at the rate ruling at that date and the gains and losses on translation are recognised in profit or loss.

4 Employees

Average number of employees	2019	2018
Management and administration	40	41
Aggregate employment costs		
Wages and salaries	4.5	5.4
Social security costs	0.8	0.8
Share-based payments – equity-settled (Note 5)	2.0	2.6
Share-based payments – cash-settled	(0.1)	1.7
Defined contribution retirement benefit costs (Note 6)	0.5	0.4
Termination benefits	7.7	10.9
Total	7.7	11.2

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 79 to 96.

The numbers and costs above are for employees who work for the Company. There are a number of Group employees whose contracts of employment are with the Company but who actually work in its subsidiaries. These employees are not included above.

5 Share-based payments

The Company operates a number of share-based payment schemes for employees of the Group, details of which are in Note 9 of the Group accounts. Certain of the Company's employees participate in the DSBP, equity-settled LTIP, equity-settled SAYE and the Recruitment Award which grant rights to the Company's own equity instruments and hence are accounted for as equity-settled share-based payments.

6 Post-employment benefits

Employees of the Company may be members of the Group's UK pension schemes.

Defined benefit scheme

There is no agreement or stated policy for charging the net defined benefit cost for the scheme to the individual Group entities. Both the Company and RS Components Limited, the main UK trading subsidiary of the Company, are the sponsoring employers. The majority of the scheme members work for RS Components Limited and so it accounts for the UK scheme as a defined benefit scheme in its accounts. The Company recognises a cost equal to its contributions.

The UK defined benefit scheme is described in Note 10 of the Group accounts.

Defined contribution scheme

Contributions to the defined contribution scheme are expensed as they fall due.

7 Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and any provisions for impairment. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any dismantling and restoration costs.

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

Investment property (freehold warehouse facility occupied by a wholly-owned subsidiary)	2%
Leasehold improvements	10%
Plant and machinery	10%
Computer equipment	20%

	Investment property £m	Leasehold improvements £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost					
At 1 April 2018	18.2	1.1	9.2	0.8	29.3
Additions	–	0.1	–	–	0.1
At 31 March 2019	18.2	1.2	9.2	0.8	29.4
Depreciation					
At 1 April 2018	0.5	0.1	9.2	0.5	10.3
Charged in the year	0.5	0.1	–	0.1	0.7
At 31 March 2019	1.0	0.2	9.2	0.6	11.0
Net book value					
At 31 March 2019	17.2	1.0	–	0.2	18.4
At 31 March 2018	17.7	1.0	–	0.3	19.0

NOTES TO THE COMPANY ACCOUNTS

CONTINUED

8 Investments in subsidiaries

Investments in subsidiaries including long-term loans are carried at the lower of cost and expected recoverable amount. Impairments are recognised in the profit and loss account.

The expense relating to share-based payments that grant rights to the Company's equity instruments to employees of other Group companies is treated as an increase in investments with the corresponding credit taken directly to reserves. In 2019, this amounted to £5.6 million (2018: £2.7 million).

	Shares £m	Loans £m	Total £m
Cost			
At 1 April 2018	197.6	101.2	298.8
Additions	5.6	–	5.6
Loans repaid	–	(28.5)	(28.5)
Translation differences	–	4.1	4.1
At 31 March 2019	203.2	76.8	280.0
Impairments			
At 1 April 2018 and 31 March 2019	0.4	15.4	15.8
Net book value			
At 31 March 2019	202.8	61.4	264.2
At 31 March 2018	197.2	85.8	283.0

A list of the Company's related undertakings is disclosed in Note 28 to the Group accounts.

9 Financial instruments

Basic financial instruments

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price and then subsequently at amortised cost less any provision for impairment.

Basic financial liabilities, including trade and other payables, bank loans and loans from subsidiaries, are initially recognised at transaction price and then subsequently at amortised cost.

Derivative financial instruments and hedging activities

The Company has elected to adopt the recognition and measurement provisions of IAS 39 (as adopted by the European Union) and the disclosure provisions of FRS 102 in respect of financial instruments.

The Company uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates on behalf of its operating subsidiaries and these subsidiaries apply cash flow hedging. In addition, there is one cross currency interest rate swap which swaps US dollar fixed rate private placement loan notes into sterling at a fixed interest rate. In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes.

All the Company's derivatives are measured at fair value with changes in the fair values recognised in profit or loss.

In line with the Company's risk management policies, the cross currency interest rate swap is designated as a fair value hedge. The fair value of the swap is the market value of the swap at the balance sheet date, taking into account current interest rates. Changes in the fair value of the swap and changes in fair value of the related hedged item are recognised directly in profit or loss.

10 Debtors

	2019 £m	2018 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	428.2	80.2
Other derivative assets	3.6	3.6
Prepayments	1.5	1.6
Debtors: amounts falling due within one year	433.3	85.4
Amounts falling due after more than one year:		
Cross currency interest rate swaps (Note 9)	1.8	0.5
Deferred tax asset (Note 14)	1.8	1.9
Debtors: amounts falling due after more than one year	3.6	2.4

Amounts owed by subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

11 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Amounts owed to subsidiary undertakings	117.0	97.5
Bank overdrafts	74.7	83.3
Other derivative liabilities	2.9	3.6
Accruals	2.8	4.5
Cash-settled share-based payment liability	0.7	0.8
	198.1	189.7

Amounts owed to subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

12 Creditors: amounts falling due after more than one year

	2019 £m	2018 £m
Unsecured bank facilities repayable from four to five years	—	29.9
Unsecured bank facilities repayable from three to four years	23.7	—
Unsecured bank facilities repayable from one to two years	75.0	—
Unsecured private placement loan notes repayable from two to three years	—	71.0
Unsecured private placement loan notes repayable from one to two years	76.6	—
Other creditors	1.5	0.7
Cash-settled share-based payment liability	0.4	1.0
	177.2	102.6

Details of the US dollar private placement loan notes are provided in Notes 20 to 22 of the Group accounts.

13 Provisions for liabilities and charges

	Onerous contract provision £m
At 1 April 2018	1.7
Utilised	(0.3)
Released	(0.8)
At 31 March 2019	0.6

On 10 April 2019 the Company completed the assignment of the lease of its Oxford premises to a third party. As a result, the onerous contract provision has been adjusted to reflect the Company's remaining obligation which will be fully settled by June 2021.

NOTES TO THE COMPANY ACCOUNTS

CONTINUED

14 Deferred tax

The charge or credit for taxation is based on the taxable profit or loss 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.

Deferred tax assets are attributable to the following:

	2019 £m	2018 £m
Equity-settled share-based payments	1.7	1.9
Other	0.1	–
Deferred tax asset (Note 10)	1.8	1.9

There are no unused tax losses or unused tax credits.

15 Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are:

	2019 £m	2018 £m
Within one year	1.5	1.3
From one to five years	5.2	5.8
After five years	3.9	3.4
	10.6	10.5

16 Contingent liabilities

The Company enters into financial guarantee contracts to guarantee the indebtedness of certain 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.

Guarantees exist in respect of bank facilities available to certain subsidiaries, up to a maximum of £54.3 million (2018: £55.7 million), of which £2.8 million (2018: £2.3 million) had been drawn down at the end of the year.

17 Capital and reserves and dividends

Details of the Company's share capital, EBT and dividends paid to shareholders are in Notes 12 and 24 of the Group accounts.

The Company has sufficient distributable reserves to pay dividends for a number of years and is also able to increase its distributable reserves further by receiving distributions from its subsidiaries.

FIVE YEAR RECORD

YEAR ENDED 31 MARCH

	2019 £m	2018 £m	2017 £m	As restated* 2016 £m	As restated* 2015 £m
Revenue	1,884.4	1,705.3	1,511.7	1,291.1	1,266.2
Operating profit	201.0	172.6	132.3	40.1	101.2
Add back: amortisation of acquired intangibles	4.4	–	–	–	–
Add back: substantial reorganisation costs and one-off pension cost / (credit)	14.9	4.5	0.9	41.9	(16.0)
Adjusted operating profit	220.3	177.1	133.2	82.0	85.2
Net finance costs	(6.1)	(4.0)	(5.2)	(5.2)	(5.1)
Share of profit of joint venture	0.3	–	–	–	–
Adjusted profit before tax	214.5	173.1	128.0	76.8	80.1
Amortisation of acquired intangibles	(4.4)	–	–	–	–
Substantial reorganisation costs and one-off pension (cost) / credit	(14.9)	(4.5)	(0.9)	(41.9)	16.0
Profit before tax	195.2	168.6	127.1	34.9	96.1
Income tax expense	(47.1)	(19.0)	(35.0)	(13.0)	(25.8)
Profit for the year attributable to owners of the Company	148.1	149.6	92.1	21.9	70.3
Earnings per share	33.4p	33.9p	20.9p	5.0p	16.0p
Adjusted earnings per share	37.0p	28.4p	21.0p	12.6p	13.2p
Dividend per share	14.8p	13.25p	12.3p	11.75p	11.75p
Non-current assets	463.1	357.6	387.6	365.7	378.8
Current assets	935.9	749.8	675.6	853.6	822.9
Current liabilities	(487.5)	(391.0)	(390.2)	(557.0)	(568.3)
Non-current liabilities	(322.2)	(233.9)	(284.0)	(306.5)	(265.1)
Net assets	589.3	482.5	389.0	355.8	368.3
Add back: net debt	122.4	65.0	112.9	165.1	152.6
Add back: retirement benefit obligations	83.6	72.4	104.6	43.3	60.4
Capital employed	795.3	619.9	606.5	564.2	581.3
Return on capital employed (ROCE)	27.7%	28.6%	22.0%	14.5%	14.7%
Free cash flow	76.5	102.7	112.6	46.6	49.0
Adjusted free cash flow	84.5	105.1	117.7	62.6	52.3
Average number of employees	6,603	5,868	5,769	6,024	6,245
Share price at 31 March	561.8p	600.2p	473.4p	241.4p	241.5p

* Restated in 2017 for the change in accounting policy relating to the grossing up of cash pools.

REGISTERED OFFICE, FINANCIAL CALENDAR AND ADVISORS

Registered office

Electrocomponents plc
Fifth Floor
Two Pancras Square
London N1C 4AG
United Kingdom
Tel: +44 (0)20 7239 8400
electrocomponents.com
Registered number: 647788
Registered in England and Wales

Shareholder services

Registrar

If you have any questions about your shareholding in the Company, please contact our Registrar:
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Tel: 0370 703 0199
www.investorcentre.co.uk/contactus

Investor Centre

To access online information about your shareholding visit www.investorcentre.co.uk. Through the Investor Centre you can:

- update member details and address changes
- update dividend bank mandate instructions and review dividend payment history
- register to receive Company communications electronically

Your shareholder reference number (SRN) is required to access your shareholding. This can be found at the top of your welcome letter or share certificate. Alternatively, you can obtain your SRN by contacting Computershare on the number given above.

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 Computershare. This can be found, together with plan terms and conditions, at www.investorcentre.co.uk or in the Investor Centre section of our website under FAQs. Alternatively, please contact Computershare on the number given above, and details and a form will be sent to you.

Share price information

The latest information on Electrocomponents plc share price is available on our website.

Be scam smart

Investment scams are designed to look like genuine investments.

Spot the warning signs

Have you been:

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

If so, you might have been contacted by fraudsters.

Avoid investment fraud

Reject cold calls:

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

Check the FCA Warning List:

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

Get impartial advice:

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

Report a Scam

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

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

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

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

Financial calendar

Announcement of results

The results of the Group are normally published at the following times:

- Half-year results for the six months to 30 September in mid-November.
- Preliminary announcement for the year to 31 March in late May.
- Annual Report and Accounts for the year to 31 March in mid-June.

Dividend payments

Our current policy is to make dividend payments at the following times:

- Interim dividend in January
- Final dividend in July

2019 final dividend timetable:

- Ex-dividend date: 13 June
- Record date: 14 June
- Annual General Meeting date: 17 July
- Dividend paid: 25 July

Contacts

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Registrar and transfer office

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Numis Securities Limited
The London Stock Exchange
10 Paternoster Square
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LOCATIONS

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