ELECTROCOMPONENTS PLC
AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2016

PERFORMANCE IMPROVEMENT PLAN DRIVES DOUBLE-DIGIT UNDERLYING H2 PROFITS GROWTH

Highlights	2016	2015	% Change	% Change [(1)] Underlying
Revenues	**£1,291.1m**	£1,266.2m	2.0%	2.8%
Gross Margin	**43.5%**	44.6%	(1.1)pts	(0.8)pts
Headline[2] operating profit	**£82.0m**	£85.2m	(3.8)%	0.2%
Headline operating margin	**6.4%**	6.7%	(0.3)pts	(0.1)pts
Headline profit before tax[3]	**£76.8m**	£80.1m	(4.1)%	0.0%
Headline earnings per share	**12.6p**	13.2p	(4.5)%	0.0%
Headline free cash flow	**£62.6m**	£52.3m	19.7%	
Net debt	**£165.1m**	£152.6m	(8.2%)	
Full year dividend	**11.75p**	11.75p	-	
Reported Profit before tax	**£34.9m**	£96.1m	(63.7)%	(62.4)%
Reported earnings per share	**5.0p**	16.0p	(68.8)%	(67.1)%

Financial highlights

- 2.8% Group underlying sales growth with strong growth in Europe offsetting weakness in North America & APAC
- Gross margins stabilised during second half of the year post initiatives on pricing and discounting discipline
- Headline profit before tax was up 14.3% on an underlying basis in the second half and flat for the full year
- Operating profit margins increased to 7.3% in the second half (H2 2015: 6.7%)
- Strong headline free cash flow growth (19.7% year-on-year), improved stock turn 2.7x (2015: 2.5x)
- Robust balance sheet with Net Debt: EBITDA of 1.5x (2015: 1.3x)
- Reported earnings per share fell 67% on an underlying basis to 5.0p, impacted by the move from a net exceptional credit of £16.0m in 2015 to an exceptional charge of £41.9 million in 2016
- Full-year dividend maintained at 11.75p

Operational highlights

- Return to revenue growth in the UK – 4 consecutive months of growth from December 2015
- Double-digit underlying revenue growth in Central & Southern Europe with good market share gains
- Our own brand, RS Pro, grew by 3.8% in the year, with 5.6% growth in the second half
- eCommerce revenue growth of 6.1% - driven by significant improvement in online experience
- Performance Improvement Plan (PIP) on track to deliver annualised net savings of at least £25 million, with £7 million of savings delivered during the second half

CURRENT TRADING & PROSPECTS

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

LINDSLEY RUTH, GROUP CHIEF EXECUTIVE, COMMENTED:

"In November we set out a Performance Improvement Plan that would significantly change the way we operate. It is early days, but I am pleased that in the face of continued market headwinds our initial focus on simplification has delivered cost savings ahead of plan, stabilised gross margin and increased cash. Our new UK leadership has also returned that business to growth.

Many parts of our business are performing very well, with Europe, eCommerce and our RS Pro brand demonstrating good growth. However, overall Group results remain well below what we want to achieve. In 2017 we are well positioned to make good progress as we continue to simplify to drive out more cost, hold each other accountable and support growth through an improved Electrocomponents experience for our customers and suppliers."

(1) Underlying Sales growth, unless otherwise stated, is adjusted for trading days and currency movements. Adverse currency movements only partially offset by an extra trading day decreased Group reported sales by £11 million.
(2) Headline measures of profitability and cash flow are defined as the relevant reported profit/cash flow measure before reorganisation costs/cash flows, asset write-downs and pension credits.
(3) Adverse currency movements offset by the additional trading day decreased headline profit before tax by £3 million.
(4) Operating profit conversion ratio is the operating profit as a percentage of gross profit and is one of our six Key Performance Indicators.

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The results and presentation to analysts are published on the corporate website at www.electrocomponents.com.

Notes on financial terms:
In order to reflect underlying business performance, comparisons of sales between periods (including by region, product group and channel) have been adjusted for currency and trading days (underlying sales growth).

Changes in profit, cash flow, debt and share related measures such as earnings per share are, unless otherwise stated, at reported exchange rates.

Sign conventions: % changes in sales and costs are disclosed as positive if improving profit and negative if reducing profit.

Key performance measures such as return on sales and EBITDA use headline profit figures.

Notes to editors:
Electrocomponents has operations in 32 countries. We offer over 500,000 products through the internet, catalogues and at trade counters to over one million customers, shipping around 44,000 parcels a day. Our product categories, sourced from 2,500 leading suppliers, include semiconductors, interconnect, passives and electromechanical, automation and control and tools and consumable and test.

The business satisfies the small quantity needs of its customers who are typically electronics design engineers, machine and panel builders or maintenance engineers in business. A large number of high quality goods are stocked, which are dispatched the same day that the order is received. The average customer order value is around £150 although the range of order values is wide. The Group's customers come from a wide range of industry sectors with diverse product demands.

OVERALL RESULTS

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

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

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

Group gross margin at 43.5% was down 0.8 percentage points at constant currency, a reduction of 1.1 percentage points on a reported basis. Geographically, Northern Europe and North America saw broadly stable gross margins, with the declines being seen in Southern Europe, Central Europe and Asia Pacific. Approximately half of the Group decline was driven by transactional foreign exchange whereby the weaker euro and yen have led to higher cost prices for our European and Asian regions. The balance of the decline was a mixture of product mix impacts and discounts for corporate account customers. Encouragingly, we saw gross margins stabilise during the second-half of the year aided by our own actions on pricing and discounting discipline.

Headline operating profits increased 0.2% at constant currency rates, a decrease of 3.8% on a reported basis to £82.0 million (2015: £85.2 million). Group headline operating margins fell 0.1 percentage points at constant currency rates, a 0.3 percentage point reduction at reported rates to 6.4% (2015: 6.7%).

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

Segmental Results

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

Northern Europe

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

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

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

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

UK performance

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

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

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

Southern Europe

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

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

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

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

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

Central Europe

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

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

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

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

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

North America

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

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

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

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

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

Asia Pacific

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

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

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

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

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

Central Costs

	2016	2015	Decline	Underlying decline
Headline Central Costs	£(30.0)m	£(32.8)m	8.5%	8.5%

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

Current trading and outlook

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

OUR STRATEGIC PRIORITIES

- Best Customer and Supplier Experience
- High Performance Culture
- Operational Excellence
- Innovation
- Reinvest to accelerate growth

The first step to drive our strategic priorities through our business was the launch of the Performance Improvement Plan (PIP) in November. Distribution is a simple business, where superior returns depend on best-in-class execution. In the past we have over-complicated our business and lost sight of what should be at the heart of our business: the customer. Our PIP focuses on our first three strategic priorities; improve the customer and supplier experience; drive an accountable and high-performance culture and constantly strive for operational excellence by simplification and operating for less. Early progress on the implementation of the PIP has been encouraging and during H2 2016 we delivered £7 million of savings, which was ahead of target. We are confident we will deliver at least £25 million of annualised net savings in the year to March 2018. We are still very much at the start of the journey and, while we have increased the pace of change in our organisation, the potential remains significant.

PERFORMANCE IMPROVEMENT PLAN (PIP) UPDATE

Improve customer experience

Progress in 2016

- Since the introduction of our "Voice of the Customer" (VOC) real-time customer feedback system, we have received over 85,000 pieces of customer feedback and now have good insight into the pleasure and pain points on our customer journey. This research gives us a priority "fix list" to improve the basic customer experience with our organisation.
- During the year we introduced voice picking in warehouses including Nuneaton & Bad Hersfeld. This development led to a significant reduction in picking errors in these warehouses. We have also introduced proactive communications, so when things do go wrong we proactively communicate with the customer.
- Established Global NPS (Net Promoter Score) for the RS business as a KPI, to focus the organisation on this important customer satisfaction metric. Our Global NPS score for RS was 41 in March 2016.
- eCommerce represents 60% of our Group sales and as such improving our online experience is central to delivering a best-in-class customer experience. During the year, we have committed more resource to driving improvements in our online experience. We implemented over 60,000 search improvements driving our RS conversion rate to a 4-year high. We have improved our website content and our site speed by over 30% and seen a significant improvement in our Net Ease Score.

Focus for 2017

- During 2017 we plan to invest more resource to further accelerate improvements to our online offer. We will drive improvements in search with algorithm developments and search platform upgrades, further speed improvements and continue to enhance our online content.
- We also have a number of capital investment projects planned, focused on driving fast and tangible benefits to our customer experience. These include introducing scheduled orders, product traceability, improvements to packaging, stock transparency and parcel tracking.

Increase accountability

Progress in 2016

- Cultural change starts with leadership, as such a key focus this year has been diversifying and strengthening the management team. The senior leadership team has been significantly strengthened during the year, with a new Group Finance Director and new leaders for RS Pro, Innovation, Supply Chain and Northern Europe.
- We now operate as five regional hubs with each regional hub having its own profit and loss accountability. This is important to drive accountability and an increased results focus throughout our organisation.
- During the year we have developed long and short term incentive plans aligned to our PIP.

Focus for 2017

- In order to transform the performance of our organisation we need to continue to drive behavioural change. We need to become a more customer centric organisation, which is both accountable and results focused. We need to be quicker to innovate and to respond to the needs of our customer and supplier base.
- Work continues to fully align our KPIs to drive the correct behaviours.
- Further work on incentivisation, particularly in areas such as Sales.

Simplify – Operate for Less

Progress in 2016

- During the year we have carried out a major Group reorganisation to simplify the way we operate. This reorganisation has not just been about cutting costs, we have also refocused our investment to drive faster growth in high potential areas such as RS Pro, Digital and building our Electronics expertise.
- We have also carried out significant restructuring in Asia Pacific to build a profitable base from which we can grow, which led to a 20% reduction in our work force in Asia Pacific.
- During the second half of 2016, we delivered £7 million of savings and improved our operating conversion ratio to 16.6% versus 15.2% in the second half of 2015.

Focus for 2017

- The process is ongoing, we continue to look at further ways that we can simplify the way we operate.
- In particular work continues to identify further savings in the area of warehousing and logistics.
  We are confident of delivering £15 million of savings in 2017 giving an annualised net saving of at least £25 million by March 2018.

FINANCIAL REVIEW

	2016	**2015**	**Change**	**Underlying Change**(1)
Revenue	£1,291.1m	£1,266.2m	2.0%	2.8%
Gross margin	43.5%	44.6%	(1.1) pts	(0.8) pts
Operating costs	£(479.5)m	£(479.5)m	0.0%	(1.3)%
Headline operating profit(2)	£82.0m	£85.2m	-3.8%	0.2%
Operating margin	**6.4%**	**6.7%**	**(0.3) pts**	**(0.1) pt**
Headline PBT	£76.8m	£80.1m	(4.1)%	0.0%
Headline EPS	12.6p	13.2p	(4.5)%	0.0%
Headline free cash flow	£62.6m	£52.3m	19.7%	
Net debt	£165.1m	£152.6m	8.2%	
Leverage (x EBITDA)	1.5x	1.3x	0.2 pts	
Full-year dividend per share	11.75p	11.75p	0.0%	
Net Promoter Score	41.0	N/A	N/A	
Operating profit as % of gross profit	14.6%	15.1%	(0.5)pts	
ROCE	15.7%	16.4%	(0.7)pts	
Operating cash flow conversion	107.3%	92.7%	14.6pts	

(1) Underlying Sales growth, unless otherwise stated, is adjusted for trading days and currency movements. Adverse currency movements only partially offset by an extra trading day decreased Group reported sales by £11 million.

(2) Headline measures of profitability and cash flow are defined as the relevant reported profit/cash flow measure before reorganisation costs/cash flows, asset write-downs and pension credits.

Sales

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

Gross margin

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

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

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

Operating costs

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

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

Headline operating profit

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

Net finance costs

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

Restructuring charges and pension credits

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

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

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

Profit before tax

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

Taxation

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

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

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

Profit for the year

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

Earnings per share

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

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

Return on Capital Employed (ROCE)

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

Cash flow

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

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

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

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

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

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

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

Net debt

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

The Group has a £177 million syndicated multicurrency facility from eight banks maturing in August 2019. This facility and the Group's $185 million of US Private Placement (PP) notes provides the majority of the Group's committed debt facilities and loans of £308 million, of which £123 million was undrawn at 31 March 2016. The PP notes are split, $85 million maturing in June 2017 and $100 million of fixed rate notes due for repayment in June 2020. The Group has swapped $45 million of the PP notes from US dollar to euro and $60 million from US dollar to sterling.

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

At 31 March 2016 the key currency exposures of the Group's net debt were US dollars 62%, euros 5% and sterling 24%. The Group's financial metrics remain strong, with EBITA interest cover of 19.2x and net debt to EBITDA of 1.5x (both measures are based upon 12 months ending 31 March 2016 financials), leaving significant headroom to the Group's banking covenants.

Pension

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

Under IAS 19R, the combined gross deficit of the Group's retirement obligations was £43.3m, of which the defined benefit schemes accounted for £38.5 million at 31 March 2016 (UK deficit: £30.4 million; overseas schemes deficit: £8.1 million).

The UK deficit under IAS 19R has decreased from £47.2 million as at 31 March 2015. This is principally due to the discount rate increasing by 0.3% p.a., although this has been partially offset by the investment return on the scheme's assets being lower than assumed.

Dividend

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

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

Foreign exchange risk

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

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

Group Income Statement
For the year ended 31 March 2016

	Note	2016 £m	As re-presented* 2015 £m
Revenue	1	**1,291.1**	1,266.2
Cost of sales		**(729.6)**	(701.5)
Gross profit		**561.5**	564.7
Distribution and marketing expenses		**(449.5)**	(446.7)
Central costs		**(71.9)**	(16.8)
Operating profit		**40.1**	101.2
Financial income		**2.3**	2.0
Financial expense		**(7.5)**	(7.1)
Profit before tax	1	**34.9**	96.1
Income tax expense	3	**(13.0)**	(25.8)
Profit for the year attributable to the equity shareholders of the parent company		**21.9**	70.3
Earnings per share			
Basic	4	**5.0p**	16.0p
Diluted	4	**5.0p**	15.9p
Dividends			
Amounts recognised in the period:			
Final dividend for the year ended 31 March 2015	5	**6.75p**	6.75p
Interim dividend for the year ended 31 March 2016	5	**5.0p**	5.0p

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

	Note	2016 £m	2015 £m
Headline operating profit			
Operating profit		**40.1**	101.2
Reorganisation costs and pension credit	2	**41.9**	(16.0)
		82.0	85.2
Headline profit before tax			
Profit before tax		**34.9**	96.1
Reorganisation costs and pension credit	2	**41.9**	(16.0)
		76.8	80.1
Headline earnings per share			
Basic		**12.6p**	13.2p
Diluted		**12.6p**	13.2p

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

Group Balance Sheet
As at 31 March 2016

	Note	2016 £m	As restated* 2015 £m	As restated* 2014 £m
Non-current assets				
Intangible assets		**241.3**	248.1	219.8
Property, plant and equipment		**96.0**	100.8	104.6
Investments		**0.7**	0.6	0.4
Other receivables		**2.1**	3.7	5.3
Other financial assets	7	**11.2**	13.8	3.7
Deferred tax assets		**9.3**	11.8	8.9
Non-current assets held for sale		**5.1**	-	-
		365.7	378.8	342.7
Current assets				
Inventories	6	**269.4**	285.1	258.8
Trade and other receivables		**231.9**	218.7	214.8
Income tax receivables		**0.8**	2.2	8.3
Cash and cash equivalents	7	**34.5**	39.0	37.7
		536.6	545.0	519.6
Current liabilities				
Trade and other payables		**(201.9)**	(204.3)	(185.4)
Provisions and other liabilities		**(9.5)**	(0.7)	-
Loans and borrowings	7	**(26.2)**	(77.5)	(52.8)
Other financial liabilities		**-**	-	(0.7)
Income tax liabilities		**(2.4)**	(7.9)	(15.5)
		(240.0)	(290.4)	(254.4)
Net current assets		**296.6**	254.6	265.2
Total assets less current liabilities		**662.3**	633.4	607.9
Non-current liabilities				
Other payables		**(7.7)**	(7.9)	(11.8)
Retirement benefit obligations	9	**(43.3)**	(60.4)	(40.9)
Loans and borrowings	7	**(184.6)**	(127.9)	(131.4)
Other financial liabilities	7	**-**	(0.1)	(0.1)
Deferred tax liabilities		**(70.9)**	(68.8)	(59.4)
		(306.5)	(265.1)	(243.6)
Net assets		**355.8**	368.3	364.3
Equity				
Called-up share capital		**44.1**	44.0	44.0
Share premium account		**43.5**	41.9	41.5
Retained earnings		**242.9**	258.3	268.2
Cumulative translation reserve		**33.8**	23.4	10.4
Other reserves		**(8.5)**	0.7	0.2
Equity attributable to the equity shareholders of the parent company		**355.8**	368.3	364.3

* Restated for the change in accounting policy relating to the grossing up of multi-currency cash pools.

Group Cash Flow Statement
For the year ended 31 March 2016

	Note	**2016**	2015
		£m	£m
Cash flows from operating activities			
Profit before tax		**34.9**	96.1
Depreciation and other amortisation		**29.6**	30.5
Loss on disposal/write-off of non-current assets		**15.6**	0.2
Equity-settled transactions		**2.9**	1.5
Finance income and expense		**5.2**	5.1
Non-cash movement on investment in associate		**(0.1)**	(0.2)
Operating cash flow before changes in working capital, interest and taxes		**88.1**	133.2
Decrease (Increase) in inventories		**22.1**	(23.3)
Increase in trade and other receivables		**(6.6)**	(8.2)
(Decrease) increase in trade and other payables		**(10.8)**	10.8
Increase in provisions		**8.1**	0.7
Cash generated from operations		**100.9**	113.2
Interest received		**2.3**	2.0
Interest paid		**(7.5)**	(7.1)
Income tax paid		**(20.2)**	(21.6)
Net cash from operating activities		**75.5**	86.5
Cash flows from investing activities			
Capital expenditure		**(28.9)**	(37.6)
Proceeds from sale of property, plant and equipment		**-**	0.1
Net cash used in investing activities		**(28.9)**	(37.5)
Free cash flow		**46.6**	49.0
Cash flows from financing activities			
Proceeds from the issue of share capital		**1.7**	0.4
Purchase of own shares		**(2.3)**	(0.6)
Loans drawn down		**63.6**	25.1
Loans repaid		**(54.5)**	-
Equity dividends paid	5	**(51.6)**	(51.6)
Net cash used in financing activities		**(43.1)**	(26.7)
Net increase in cash and cash equivalents		**3.5**	22.3
Cash and cash equivalents at the beginning of the period		**5.5**	(15.1)
Effects of exchange rate fluctuations on cash		**(0.7)**	(1.7)
Cash and cash equivalents at the end of the year	7	**8.3**	5.5

	Note	**2016**	2015
		£m	£m
Headline free cash flow			
Free cash flow		**46.6**	49.0
Reorganisation cash flow	2	**16.0**	3.3
		62.6	52.3

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

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

Consolidated Statement of Changes in Equity
For the year ended 31 March 2016

	Share capital £m	Share premium account £m	Other reserves: Hedging reserve £m	Other reserves: Own shares held £m	Other reserves: Cumulative translation £m	Retained earnings £m	Total £m
At 1 April 2015	**44.0**	**41.9**	**1.6**	**(0.9)**	**23.4**	**258.3**	**368.3**
Profit for the year	-	-	-	-	-	21.9	21.9
Foreign exchange translation differences	-	-	-	-	10.4	-	10.4
Remeasurement of pension deficit	-	-	-	-	-	16.3	16.3
Net loss on cash flow hedges	-	-	(6.4)	-	-	-	(6.4)
Taxation relating to components of other comprehensive income	-	-	(0.7)	-	-	(4.6)	(5.3)
Total comprehensive income	**-**	**-**	**(7.1)**	**-**	**10.4**	**33.6**	**36.9**
Equity settled transactions	-	-	-	-	-	2.9	2.9
Dividends paid	-	-	-	-	-	(51.6)	(51.6)
Shares allotted in respect of share awards	0.1	1.6	-	0.2	-	(0.2)	1.7
Own shares acquired	-	-	-	(2.3)	-	-	(2.3)
Related tax movements	-	-	-	-	-	(0.1)	(0.1)
At 31 March 2016	**44.1**	**43.5**	**(5.5)**	**(3.0)**	**33.8**	**242.9**	**355.8**
At 1 April 2014	**44.0**	**41.5**	**0.9**	**(0.7)**	**10.4**	**268.2**	**364.3**
Profit for the year	-	-	-	-	-	70.3	70.3
Foreign exchange translation differences	-	-	-	-	13.0	-	13.0
Remeasurement of pension deficit	-	-	-	-	-	(36.9)	(36.9)
Net gain on cash flow hedges	-	-	1.0	-	-	-	1.0
Taxation relating to components of other comprehensive income	-	-	(0.3)	-	-	7.4	7.1
Total comprehensive income	**-**	**-**	**0.7**	**-**	**13.0**	**40.8**	**54.5**
Equity settled transactions	-	-	-	-	-	1.5	1.5
Dividends paid	-	-	-	-	-	(51.6)	(51.6)
Shares allotted in respect of share awards	-	0.4	-	0.4	-	(0.4)	0.4
Own shares acquired	-	-	-	(0.6)	-	-	(0.6)
Related tax movements	-	-	-	-	-	(0.2)	(0.2)
At 31 March 2015	**44.0**	**41.9**	**1.6**	**(0.9)**	**23.4**	**258.3**	**368.3**

BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Electrocomponents plc (the Company) is a company domiciled in the England. The Group Accounts for the year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in a jointly controlled entity. Subsidiaries are entities controlled by the Company. All significant subsidiary accounts are made up to 31 March and are included in the Group Accounts. Further to the IAS Regulation (EC 1606/2002) the Group Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (adopted IFRS).

Financial statements for the year ended 31 March 2016, included in this announcement, were authorised for issue in accordance with a resolution of the Board of Directors on 19 May 2016. This financial information has been extracted from the audited accounts which have not yet been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Group presents headline operating profit, headline profit before tax, headline free cash flow, headline contribution and headline earnings per share information as it believes these measures provide a helpful indication of its performance and underlying trends. The term headline refers to the relevant measure being reported before one-off items. These measures are used by the Company for internal performance analysis. The terms headline and one off items are not defined terms under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or be superior to, GAAP measurements of performance.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of at least twelve months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 21 to the Group's Annual Report and Accounts for the year ended 31 March 2016.

Accounting Policies

The accounting policies applied by the Group in these financial statements are the same as those that applied to the consolidated financial statement of the Group for the year ended 31 March 2016. Those policies are consistent with those applied in the financial statements for the year ended 31 March 2015, with the exception of the change noted below and standards, amendments and interpretations effective in the year to 31 March 2016.

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

The effects on the Group of IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018) and IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019) are still being assessed. IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017) is not expected to have a material impact on the Group's reported position or performance.
The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

1 Segmental reporting

In accordance with IFRS 8 *Operating Segments*, Group management has identified its operating segments. The performance of these operating segments is reviewed, on a monthly basis, by the Group Chief Executive and the Executive Management Team. During the year, the Group has reorganised its operating segments, which are now organised into five operating hubs and one segment of central costs. These hubs are: Northern Europe, Southern Europe, Central Europe, Asia Pacific and Emerging Markets, and North America. Each segment is comprised of a hub market with one or more associated local markets

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

Each reporting segment derives its revenue from the high service level distribution of industrial and electronics products. Intersegment pricing is determined on an arm's length basis, comprising sales of product at cost and a handling charge included within distribution and marketing expenses.

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

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

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

Net financial expenses and income tax are not included or reviewed as a measure of performance of a reportable segment, but as total costs to the Group. All reorganisation costs and pension credits are shown within central costs in both years. Therefore no segmental information has been provided.

2 Reorganisation costs and pension credit

Reorganisation costs arising during the year were as follows:

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

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

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

3 Taxation on the profit of the Group

	2016	2015
	£m	£m
United Kingdom taxation	(5.2)	7.6
Overseas taxation	18.2	18.2
	13.0	25.8

4 Earnings per share

	2016	2015
	£m	£m
Profit for the year attributable to equity shareholders of the parent company	21.9	70.3
Reorganisation costs and pension credit	41.9	(16.0)
Tax impact of reorganisation costs and pension credit	(8.4)	3.7
Headline profit for the year attributable to equity shareholders of the parent company	55.4	58.0
Weighted average number of shares (millions)	439.4	439.5
Diluted weighted average number of shares (millions)	440.3	440.8
Headline basic earnings per share	12.6p	13.2p
Basic earnings per share	5.0p	16.0p
Headline diluted earnings per share	12.6p	13.2p
Diluted earnings per share	5.0p	15.9p

5 Dividends

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

The timetable for the payment of the final dividend is:

Ex-dividend	16 June 2016
Dividend record date	17 June 2016
Dividend payment date	26 July 2016

6 Inventories

	2016	2015
	£m	£m
Gross inventories	**297.6**	308.5
Stock provision	**(28.2)**	(23.4)
Net inventory	**269.4**	285.1

During the year ended 31 March 2016 £10.4 million (2015: £8.3 million) was recognised as an expense relating to the write down of inventory to net realisable value.

7 Cash and cash equivalents/analysis of movements in net debt

	2016	As restated* 2015	As restated* 2014
Cash and cash equivalents	£m	£m	£m
Cash and cash equivalents in the balance sheet	**34.5**	39.0	37.7
Bank overdrafts	**(26.2)**	(33.5)	(52.8)
Cash and cash equivalents in the cash flow statement	**8.3**	5.5	(15.1)
Finance lease liabilities	**-**	-	(0.7)
Bank loans repayable after more than one year	**(53.7)**	(66.6)	(37.1)
Private placement loan notes	**(130.9)**	(105.3)	(94.3)
Fair value of swap hedging fixed rate borrowings	**11.2**	13.8	3.6
Net debt	**(165.1)**	(152.6)	(143.6)
Pension deficit	**(43.3)**	(60.4)	(40.9)
Net debt including pension deficit	**(208.4)**	(213.0)	(184.5)

The movements in net debt during the year are analysed below

	2016	As restated* 2015	As restated* 2014
Analysis of movements in net debt	£m	£m	£m
Net debt at 1 April	**(152.6)**	(143.6)	(159.7)
Free cash flow	**46.6**	49.0	57.7
Equity dividends paid	**(51.6)**	(51.6)	(51.4)
New shares issued	**1.7**	0.4	1.4
Own shares acquired	**(2.3)**	(0.6)	(0.6)
Translation differences	**(6.9)**	(6.2)	9.0
Net debt at 31 March	**(165.1)**	(152.6)	(143.6)

*Restated for the change in accounting policy relating the grossing up of multi currency cash pools.

9 Retirement benefit obligations

The Group operates defined benefit pension schemes in the United Kingdom and Europe.

Details of the assets and liabilities of the Group's defined benefit pension schemes are shown below:

	2016 **£m**	2015 £m
Total market value of the schemes' assets	**443.4**	453.9
Present value of the schemes' liabilities	**(486.7)**	(514.3)
Schemes' deficit	**(43.3)**	(60.4)

10 Principal exchange rates

	2016 Average	**2016 Closing**	2015 Average	2015 Closing
Average for the period				
United States Dollar	**1.51**	**1.44**	1.61	1.48
Euro	**1.37**	**1.26**	1.27	1.38

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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.