

## FY16 Half-year Financial Report

### ELECTROCOMPONENTS ANNOUNCES MAJOR PERFORMANCE IMPROVEMENT PLAN

H1 2015/16 financial performance continued to be disappointing, with past investment not delivering the expected step-up in revenue growth, and the continued impact of the step-down in gross margin we saw in Q3 2014/5. These results demonstrate why it is important we make changes to the way we operate. We have initiated a major performance improvement plan that will lead to significant cost savings in the current financial year and beyond. The plan is focused on three key business priorities:

- **Customer focus - excel at the basics**
  - Focus the organisation to drive an improved customer and supplier experience
  - Reprioritise digital development and online user experience to drive faster change
  - Introduce a differentiated, more focused service offer for industrial and electronics customers
- **Drive accountability throughout the organisation**
  - Local profit and loss accountability
  - Drive a higher proportion of private label sales, to improve gross margin mix
  - Realign KPIs and review incentive structures to increase variable component
- **Simplify - operate for less**
  - Targeted annualised cost savings of £25m, with £6m in Q4 of the current financial year
  - Asia Pacific rescaled to provide a profitable base for future growth
  - A more disciplined approach to future capital investment
  - Work continues to identify additional savings by further simplification of the way we operate

#### Summary of H1 Results

	H1 2015/16	H1 2014/15 <sup>(3)</sup>	Change
Sales	£626.5m	£616.4m	3.7% <sup>(1)</sup>
Headline profit before tax <sup>(2)</sup>	£31.3m	£39.0m	(19.7)%
Reported profit before tax	£19.9m	£57.1m	(65.1)%
Headline earnings per share <sup>(2)</sup>	5.2p	6.3p	(17.5)%
Headline free cash flow <sup>(2)</sup>	£11.8m	£24.6m	(52.0)%
Interim dividend per share	5.0p	5.0p	-

(1) Sales growth, unless otherwise stated, is adjusted for trading days and currency movements ("underlying sales growth/decline"). Currency movements decreased Group reported sales by around £13m

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

(3) Restated for changes to vendor rebate accounting

#### **Financial Headlines**

- Group underlying sales growth of 4%, with 6% International growth and 1% UK decline
- International sales: 13% growth in Continental Europe, flat trends in North America and Asia Pacific
- Group eCommerce sales growth of 8%, with share of Group sales rising to 60%
- Gross margin declined 1.7% points on the comparable period, with 1% of the decline due to currency
- Headline profit before tax <sup>(2)</sup> decreased by 20%, with 8% (£3m) due to currency
- Reported profits impacted by non-cash asset write-down of £11.4m (H1 2015: net credit of £18.1m)
- Strong balance sheet with net debt:EBITDA of 1.6 times

#### **CURRENT TRADING AND OUTLOOK**

In October, Group underlying sales growth was 3%, International grew by 5% and the UK declined by 2%. Within International, Continental Europe grew by 10%, North America declined by 3% and Asia Pacific grew by 5%.

Our work to create a leaner organisation means we are targeting annualised savings of £25m. We expect to see a saving of £6m in the final quarter of this financial year, subject to the relevant workforce consultation process. This should result in a higher than normal weighting of 2016 full-year profits towards the second half of the financial year. The bulk of the balance of the savings will impact the year to March 2017. This action on costs means we are well positioned to make progress in profits in 2017, despite a weaker outlook

for North American industrial markets, global macro headwinds and some likely near-term disruption to the business particularly in Asia Pacific, from executing a restructuring of this scale. Work continues to identify additional savings by further simplification of the way we operate.

**LINDSLEY RUTH, CHIEF EXECUTIVE OFFICER, COMMENTED:**

“We have initiated a plan to make Electrocomponents a more efficient and responsive organisation. The reorganisation of the Group is based on three core principles that lie at the heart of successful distribution businesses: customer focus, accountability and simplicity.

“We have taken firm action on costs, appointed new management and made some tough decisions on IT. We have a clear plan, strong financial position and an energised leadership team that are determined to deliver a sustained improvement in financial performance and the opportunity is huge.”

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There will be an analysts meeting at UBS Offices, 1 Finsbury Avenue at 9am GMT. The analyst presentation will cover the half-year results and full details of the Group’s performance improvement plan, which has been announced this morning. A webcast, half-year results statement and presentation will be available via the corporate website [www.electrocomponents.com](http://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/decline”).

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 revenues 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, the global distributor for engineers, 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, electrical, test and measurement, tools and consumables.

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 despatched 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.

**SAFE HARBOUR**

*This half-year 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.*

## **BUSINESS REVIEW**

The Group's future strategy will be supported by a performance improvement plan that is expected to deliver significant cost savings in the current financial year and beyond. We will focus on three key priorities:

### **Customer focus - excel at the basics**

- **Focus the organisation to drive an improved customer and supplier experience**

Our customer and supplier feedback shows we are not delivering the service customers expect from us. We need to reprioritise spend to transform the customer and supplier experience. We will place more focus on becoming easier to do business with, speeding up execution and ensuring an improved delivery to promise.

- **Reprioritise digital development to drive faster change**

eCommerce represents 60% of our sales. As such a key priority is improving the online user experience. We are reallocating resources from the new website development to make immediate and tactical changes to our existing website to drive faster improvements in search, usability and content. We will prioritise investment in digital expertise to drive more traffic to the website via SEO (Search Engine Optimisation) and social media.

- **Introduce a differentiated, more focused service offer for industrial and electronics customers**

We will build leading divisional capabilities in industrial and electronics to improve customer service and provide more differentiated solutions for customers and suppliers in these end markets. Specialisation will not only lead to a more targeted and value added offering for customers but also allow us to share more insight and build stronger relationships with our supplier base.

### **Drive accountability throughout the organisation**

- **Local profit and loss accountability**

The Group will operate with local profit and loss accountability allowing us to decide the appropriate operating model for each country depending on the profit opportunity. This structure will also bring decision making over areas such as range, marketing and price closer to the customer. Finally, local P&L accountability will provide a healthy check and balance over central overheads, which should drive a leaner and more efficient organisation.

- **Drive a higher proportion of private label sales, to improve gross margin mix**

RS Private Label is our highest gross margin business but historic lack of focus has impacted recent performance. As a result RS Private Label share has reduced as a proportion of RS sales from 18% in 2011 to 16% today. We plan to reverse this trend and grow the proportion of our sales that are private label, which will have a positive impact on gross margin mix. We have appointed a new leader to drive private label sales. He will be accountable for driving faster growth in private label, expanding our range and launching our products into new markets such as North America.

- **Realign KPIs and review incentive structures**

We have realigned KPIs and are reviewing incentive schemes to drive a culture of empowerment with accountability throughout our organisation and bring a higher mix of variable pay into incentive structures.

### **Simplify - operate for less**

- **Targeted, annualised costs savings of £25m, with £6m in Q4 of current financial year**

The Group needs to address its cost base particularly overhead costs. As a result of the new simpler organisation structure, we have identified anticipated annualised initial cost savings of £25 million. We expect to see a saving of £6m in the final quarter of this financial year, subject to the relevant workforce consultation process. The bulk of the balance of the savings will fall in 2017. We expect to incur a gross restructuring charge relating to labour redundancies and the closure of facilities of £25 million to deliver these savings. We see future scope for savings with further simplification of the way we do business.

- **Asia Pacific rescaled to drive profitable base for future growth**

Current financial performance in Asia Pacific is unacceptable and we need to take action to streamline our operations in Asia Pacific and fix the basics so we can grow profitably. We are closing our office and warehouse in Singapore, consolidating offices in China and moving to a pilot web-based operation in Japan. Smaller Asian markets will now be served out of the UK. We are also reducing and realigning our range to better serve local needs, with more locally stocked products.

- **A more disciplined approach to future capital investment**

Part of operating for less is making sure we use our capital effectively and take tough decisions around the allocation of our capital. As part of this process we have decided to halt our new website development and to end the relationship with our existing provider. This has led to an exceptional non-cash charge of £11.4m in H1 2015/16, which is a write-down of work on this project that has been capitalised to date. We will determine the optimal approach to our website development under the leadership of our new Chief Innovation Officer, Alex von Schirmeister. In the meantime, we have reallocated IT resources from the new website development project to drive faster and more immediate change to our existing website.

## RESTRUCTURING AND OTHER EXCEPTIONAL COSTS

We expect to see a gross restructuring charge of around £42 million in relation to the new strategy. This charge breaks down into three areas: an estimated labour restructuring charge of c.£20m; costs of exiting facilities in Asia Pacific of c.£5.0m; and write downs of assets and inventory of c. £17m (£11.4m of which has been charged in the first half of the year). The related gross cash impact is expected to be £25m, however we do expect to see some offset from the anticipated sale proceeds from the disposal of our Singapore warehouse, which means the net cash impact of restructuring is estimated to be closer to £20m.

## BUSINESS FINANCIAL PERFORMANCE AND POSITION

Financial performance	H1 2015/16	H1 2014/15 <sup>(3)</sup>
Sales	<b>£626.5m</b>	£616.4m
Gross margin	<b>43.3%</b>	45.0%
Headline contribution <sup>(1)</sup>	<b>£112.3m</b>	£121.6m
Headline Group process costs <sup>(1)</sup>	<b>£(78.5)m</b>	£(80.0)m
Headline operating profit <sup>(1)</sup>	<b>£33.8m</b>	£41.6m
Headline return on sales <sup>(1)</sup>	<b>5.4%</b>	6.7%
Net interest (expense)	<b>£(2.5)m</b>	£(2.6)m
Headline profit before tax <sup>(1)</sup>	<b>£31.3m</b>	£39.0m
Reported profit before tax	<b>£19.9m</b>	£57.1m
Headline free cash flow <sup>(1)</sup>	<b>£11.8m</b>	£24.6m
Headline earnings per share <sup>(1)</sup>	<b>5.2p</b>	6.3p
Interim dividend per share	<b>5.0p</b>	5.0p
Net debt to 12 months EBITDA <sup>(2)</sup>	<b>1.6x</b>	1.2x

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

(2) EBITDA: earnings before interest, tax, depreciation and amortisation (inc. government grants) for the 12 months ended 30 September

(3) Restated for vendor rebate accounting

### Sales

Group sales were £626.5 million. Reported revenues were up 1.6% with adverse currency movements decreasing Group reported sales by around 2.1% (£12.7 Million). Underlying sales, adjusted for trading days and currency, were up 3.7%. Growth was driven by International revenue growth of 6%, which more than offset a decline in UK revenues of 1%. eCommerce sales grew 8% and during the half-year eCommerce represented 60% of Group revenues.

### Gross margin

Group gross margin at 43.3% decreased by 1.7% points compared with the first half of last year.

Around two thirds of this decline reflected the negative impact of foreign exchange, with a broadly even split between translation and transaction impacts. This was offset by a small 0.1% point positive impact from geographic mix, whereby growth was slower in lower margin geographies, such as North America. The balance of the decline was evenly split between pricing impacts and product mix impacts whereby growth was faster in lower margin product categories such as semiconductors and Raspberry Pi.

### Costs

Headline operating costs (which include process costs and local costs) increased by 3.0% at constant exchange (0.8% increase as reported). As a result, headline operating costs as a percentage of sales decreased to 37.9% (H1 2015: 38.2%). Headline process costs increased by 0.4% at constant exchange rates due to inflationary increases in labour costs only partly offset by efficiency savings in our Offer function and Global IT. Local headline costs rose 4.4% at constant exchange due to inflationary rises in labour costs and higher Offer costs in Europe. We are taking action to reduce our cost base and are targeting an annualised reduction in the cost base of £25 million, with an expected saving of £6 million in Q4 subject to relevant workforce consultations. The bulk of the balance of the savings are expected to impact the financial year to March 2017.

## Headline profit before tax

Headline profit before tax was £31.3 million, a decrease of £7.7 million over the first half of last year (H1 2015: £39.0 million). International contribution was down £3.3 million on a reported basis, with positive revenue momentum offset by lower gross margins, higher operating costs in Europe and adverse foreign exchange movements. The UK contribution was down £6.0 million, driven by revenue declines, lower gross margins and higher operating costs. These declines were only partially offset by a £1.5m reduction in reported headline process costs driven by efficiency initiatives in Offer and Global IT, which more than offset inflationary increases in labour costs. Net interest costs remained broadly stable at £2.5m. There was a negative impact to Group headline profit before tax of around £3.0 million due to adverse currency movements from translational impacts (principally the strengthening of Sterling against the Euro). This accounted for 8% points of the 20% reported first-half headline profit before tax decline.

## INTERNATIONAL

	H1 2015/16	H1 2014/15 <sup>(1)</sup>	Growth reported	Growth underlying <sup>(2)</sup>
Sales	<b>£448.4m</b>	£436.3m	2.7%	5.7%
Gross margin	<b>41.2%</b>	43.0%		
Operating costs	<b>£(116.2)m</b>	£(115.6)m	0.5%	3.5%
Headline contribution <sup>(3)</sup>	<b>£68.5m</b>	£71.8m	(4.6)%	2.2%
Headline contribution % of sales	<b>15.3%</b>	16.5%		

(1) Restated for vendor rebate accounting

(2) Adjusted for currency; sales also adjusted for trading days

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

The International business represents 72% of Group sales and comprises three regions: Continental Europe (48% of the International business), North America (36%) and Asia Pacific (16%). During the half year, underlying sales increased by 5.7%. Within International, Continental Europe, our largest region, saw strong revenue growth of 13%, while North America and Asia Pacific were flat. We continued to make good progress in emerging markets such as Eastern Europe and South Africa.

Gross margin reduced by 1.8% points. This reduction was driven by foreign exchange and product mix factors such as faster growth in lower margin products and increased discounting to drive corporate account business. Operating costs at constant currency increased by 3.5%, reflecting fixed cost inflation and increases in Offer costs in Europe. Overall the lower gross margin and cost growth partially offset the positive sales momentum, leaving the International headline contribution up 2.2% in constant currency terms year on year. Cost growth and gross margin declines led to a 1.2 % point reduction in the reported International contribution margin to 15.3%.

## CONTINENTAL EUROPE

	H1 2015/16	H1 2014/15 <sup>(1)</sup>	Growth Reported	Growth underlying <sup>(2)</sup>
Sales	<b>£215.0m</b>	£213.3m	0.8%	12.6%
Headline contribution <sup>(3)</sup>	<b>£44.0m</b>	£47.3m	(7.0)%	6.5%
Headline contribution % of sales	<b>20.5%</b>	22.2%		

(1) Restated for vendor rebate accounting

(2) Adjusted for currency; sales also adjusted for trading days

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

Our business in Continental Europe operates in 15 markets. The largest of these are France, Germany and Italy; the remaining are Austria, Belgium, Czech Republic, Denmark, Hungary, Republic of Ireland, Netherlands, Norway, Poland, Spain, Sweden and Switzerland.

Continental Europe delivered underlying sales growth of 12.6% in the half year. All markets contributed to this strong performance. France and Germany, our largest markets, saw double-digit growth trends. Some of our smaller markets such as Spain, Benelux, Switzerland and Eastern Europe also performed strongly.

All product areas were in growth during the first half, however electronics was the fastest growing category outperforming the regional growth rate. eCommerce sales grew by 14% in the half year, broadly in line with the regional growth rate. Europe remains the region with the highest eCommerce penetration at 71%.

The region made progress in the period expanding its portfolio of large customer accounts, leveraging the Group's strong product and service offer and eProcurement solutions. During the half year the region added eight new corporate accounts and renewed/extended eleven more.

Constant currency contribution growth of 6.5% was lower than revenue growth due to a decline in gross margins and an increase in regional costs. Regional costs rose mainly due to inflationary rises in labour costs and higher Offer costs. While part of the rise in Offer costs was driven by higher sales volumes, £1.5m of the rise was one-off in nature and mainly driven by a back payment of three years of French property taxes following a re-categorisation of the French warehouse. Overall a decline in the gross margin and higher regional costs meant reported contribution margins in Continental Europe fell 1.7% points over the prior year to 20.5%.

<b>NORTH AMERICA</b>	<b>H1 2015/16</b>	<b>H1 2014/15</b>	<b>Growth reported</b>	<b>Growth underlying<sup>(1)</sup></b>
Sales	<b>£159.9m</b>	£146.5m	9.1%	0.1%
Contribution	<b>£20.9m</b>	£19.6m	6.6%	(1.9)%
Contribution % of sales	<b>13.1 %</b>	13.4%		

(1) Adjusted for currency; sales also adjusted for trading days

Allied, our North American business, reported broadly flat underlying sales growth across the first half. However, North American revenue growth slowed from 3% growth in Q1 to a 3% decline in Q2 as Allied, like many of its peers, saw weakening US manufacturing output impacting market demand. Allied has taken swift action to right size its cost base due to this slower revenue environment. We expect a £2.5 million saving benefit from this programme this financial year and anticipated annualised savings of c.£3.5 million.

eCommerce sales growth was 3%, continuing to outperform the underlying growth rate. eCommerce now represents around 41% of Allied's sales up 1% point on the comparative half-year period. This performance has been driven by continued investment in search engine marketing.

Underlying contribution was down 1.9% due to a flat underlying revenue performance and inflationary increases in regional operating costs.

<b>ASIA PACIFIC</b>	<b>H1 2015/16</b>	<b>H1 2014/15<sup>(1)</sup></b>	<b>Growth Reported</b>	<b>Growth underlying<sup>(2)</sup></b>
Sales	<b>£73.5m</b>	£76.5m	(3.9)%	0.0%
Headline contribution <sup>(3)</sup>	<b>£3.6m</b>	£4.9m	(26.5)%	(18.2)%
Headline contribution % of sales	<b>4.9%</b>	6.4%		

(1) Restated for vendor rebate accounting

(2) Adjusted for currency; sales also adjusted for trading days

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

Our Asia Pacific business is the region's market leader, comprising four similarly-sized sub-regions: Australasia, Greater China, Japan and South East Asia. Overall, performance in the region was disappointing. Underlying sales in the region were flat during the first half, in part due to a weaker economic backdrop in China but also reflecting a need to improve customer service in the region. Both Greater China and Japan saw single-digit revenue declines during the first half. Trading in Australasia began to stabilise with a flat revenue performance in the first half. Meanwhile, sales in South East Asia continued to show growth.

The strongest performing product category in the region was Automation and Control; growth in this category offset a slower performance for maintenance products. eCommerce revenues grew strongly up 10%, significantly outperforming the underlying business in the first half and leading to eCommerce share increasing to 51% vs 46% in the comparative half-year period. The corporate account business continued to grow with the addition of 19 new corporate account wins across the region.

Overall, lower gross margins, only partially offset by savings from the previously announced sales restructuring initiatives, meant underlying contribution was down 18% and reported contribution margins fell to 4.9% versus 6.4%. This level of performance is unacceptable and as a result we are taking actions to rescale the Asia Pacific business to drive a profitable base for future growth.

## UK

	H1 2015/16	H1 2014/15 <sup>(1)</sup>	Growth reported	Growth underlying <sup>(2)</sup>
Sales	<b>£178.1m</b>	£180.1m	(1.1)%	(1.1)%
Gross margin	<b>48.6%</b>	49.8%		
Operating costs	<b>£(42.8)m</b>	£(40.0)m	(7.0)%	(7.0)%
Headline contribution <sup>(3)</sup>	<b>£43.8m</b>	£49.8m	(12.0)%	(12.0)%
Headline contribution % of sales	<b>24.6%</b>	27.6%		

(1) Restated for vendor rebate accounting

(2) Sales adjusted for trading days

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

Our UK business is the leading high service distributor in the UK supported by 16 locally-stocked trade counters located in the UK's industrial hubs.

The UK business reported underlying sales decline of 1.1% during the first half. We have an action plan in place to turnaround the performance in the UK which has been primarily focused on three areas: corporate accounts, tools and consumables and online conversion. During the first half we saw some good progress in these focus areas.

- **Corporate accounts** During the first half we saw low single digit growth in corporate account revenues. We saw seven corporate account wins and seven renewals in the period with success in sectors such as utilities, food and drink, and engineering.
- **Tools and consumables** The tools and consumables category returned to positive revenue growth in the first half, driven by increased NPI and an improved performance in RS Private Label.
- **Online conversion** Our eCommerce revenues grew 4% in the first half reflecting efforts to drive more traffic to the website via pay per click investment, SEO and better utilisation of social media as well as work to improve online conversion via search tuning and enhancing online content.

While progress in these areas is pleasing, the overall UK performance remains disappointing with revenue declines among our smaller and medium-sized customer segment. Moving forward we are looking to extend our focus to these areas. We have recently appointed a new UK country manager, Mike England, who joined Electrocomponents on 16 November from Brammer. Mike will be responsible for driving an improved performance in the UK going forward.

The UK gross margin fell by 1.2 % points due to negative foreign exchange impacts and discounting to drive corporate account business. Operating costs rose £2.8m or 7.0%, which reflected inflationary increases in labour costs and some additional upfront investment in sales and marketing to reinvigorate revenue growth. Higher costs coupled with the gross margin decline led to the contribution margin falling to 24.6% down 3.0% points year on year.

## PROCESSES

	H1 2015/16	H1 2014/15	Change reported	Change underlying <sup>(1)</sup>
Headline process costs <sup>(2)</sup>	<b>£78.5m</b>	£80.0m	1.9%	(0.4)%
Headline costs % of sales	<b>12.5%</b>	13.0%		

(1) Adjusted for currency

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

The Processes principally comprise our teams that manage our Group-wide Offer and IT activities, together with Group management and head office costs. These Processes have responsibility for the identification, introduction and sourcing of the Group's products, managing supplier relationships, managing the Group's stock and overseeing the Group's worldwide IT infrastructure.



Headline process costs increased 0.4% at constant currency, as efficiencies and process improvement savings in Offer and IT partially offsetting inflationary rises in labour costs. As a result process costs as a percentage of sales fell from 13.0% to 12.5%.

## **FINANCIAL REVIEW**

### **Reported profit before tax**

Reported profit before tax, which comprises headline profit before tax after asset write down costs, was £19.9 million. Reported profit before tax was £11.4 million lower than headline profit before tax of £31.3 million due to a non-cash write-down of the new website costs which had previously been capitalised on the balance sheet following our decision to halt this project.

### **Headline earnings per share**

Headline earnings per share of 5.2 pence decreased by 17.5%. This decrease was slightly lower than the decrease in headline profit before tax reflecting the decrease in the headline effective tax rate to 27.2%.

### **Dividend**

The Group has a strong balance sheet and the Board recognises the importance of dividends to shareholders and therefore has approved a maintained interim dividend of 5.0 pence per share. This will be paid on 13 January 2016 to shareholders on the register as at 4 December 2015.

### **Cash flow**

The Group delivered headline free cash flow (reported free cash flow before reorganisation cash costs) of £11.8 million. This was £12.8 million lower than the first half of last year, due to lower headline operating profit and a working capital outflow driven by a slight worsening in debtor days and phasing of creditor payments. First half capital expenditure was £14.3 million (H1 2015 £17.3 million), we now expect full-year capital expenditure of around £30 million, which is lower than the £35m we had previously indicated. This reduction reflects the decision to halt the development of our new website while we reposition the project.

### **Financial position**

At 30 September 2015 net debt was £169.6 million. This was £17.0 million higher than at 31 March 2015, principally due to first-half headline free cash flow of £11.8 million being less than the final dividend for the 2015 financial year that was paid during the period, £29.7 million.

The Group has a £171.5m syndicated multicurrency facility from eight banks, maturing in August 2019. This facility, together with the Group's \$185 million of US Private Placement ("PP") notes, provides the majority of the Group's committed debt facilities and loans of £286.9 million, of which £109.4 million was undrawn as at 30 September 2015. The PP notes are split, \$100 million maturing in June 2020 and \$85 million maturing in June 2017, and cross currency interest rate swaps have swapped \$75 million of the PP notes from fixed Dollar to floating Sterling, \$40 million from fixed Dollar to floating Euro and \$20m 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 EBITA interest cover of 19.3x times and Net Debt to EBITDA of 1.6 times (both measures are based upon twelve months ended 30 September 2015 financials), leaving significant headroom to the Group's unchanged banking covenants.

### **Pension**

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

Under IAS19, the deficit of the UK defined benefit scheme at 30 September 2015 was £32.1m (£47.2m at 31 March 2015). The combined gross deficit of the Group's defined benefit and retirement indemnity schemes at 30 September 2015 was £45.7m (£60.4 million at 31 March 2015)

The reduction in the UK deficit over the six months ending 30 September 2015 was principally caused by a reduction in liabilities due to discount rates increasing by 0.5% points. However, the impact of the reduction in liabilities was partly offset by a fall in the value of scheme assets.

### **Directorate change**

As announced on 21 May 2015, Simon Boddie stepped down as Group Finance Director on the 30 September 2015. The Board has appointed Sally Adams, Group Financial Controller, to the role of Acting Chief Financial Officer while the search for a new Chief Financial Officer continues. A further update will be provided once this process has concluded.

### **RISKS AND UNCERTAINTIES**

The Group has a risk management process in place for the identification, evaluation and management of its principal risks and uncertainties. The Board regularly discusses the principal risks and receives risk reports covering risk mitigations and controls, actions planned and any dependencies with related risks.

The principal risks and mitigations outlined in the 2015 Annual Report continue to be valid but, in addition to these risks, the current restructuring of the organisation has created additional risks. These risks have been reviewed by the Board and the Management Team and steps are being taken to mitigate the risks down to an acceptable level. The risks involved with restructuring include but are not limited to: loss of key personnel; disruption to the organisation impacting near-term trading performance; and risks relating to the implementation of our new operating model.

### **ADOPTION OF FINANCIAL REPORTING STANDARD (FRS) 102**

Following the publication of 'FRS100 Application of Financial Reporting Requirements' by the Financial Reporting Council, Electrocomponents plc (the Company) is required to change its accounting framework for its entity financial statements (which is currently UKGAAP) for its financial year commencing 1 April 2015. The Board considers that it is in the best interests of the Company to adopt the 'FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Any shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in Electrocomponents plc may serve objections to the use of the disclosure exemptions on Electrocomponents plc, in writing, to its registered office (International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW, UK) not later than 31 January 2016.

### **CURRENT TRADING AND OUTLOOK**

In October, Group underlying sales growth was 3%. International grew by 5% and the UK declined by 2%. Within International, Continental Europe grew by 10%, North America declined by 3% and Asia Pacific grew by 5%.

Our work to create a leaner organisation means we are targeting annualised savings of £25m. We expect to see a saving of £6m in the final quarter of this financial year, subject to the relevant workforce consultation process. This should result in a higher than normal weighting of 2016 full-year profits towards the second half of the financial year. The bulk of the balance of the savings will impact the year to March 2017. This action on costs means we are well positioned to make progress in profits in 2017, despite a weaker outlook for North American industrial markets, global macro headwinds and some likely near-term disruption to the business particularly in Asia Pacific, from executing a restructuring of this scale. Work continues to identify additional savings by further simplification of the way we operate.

**Lindsay Ruth, Chief Executive Officer**  
**Sally Adams, Acting Chief Financial Officer**  
**19 November 2015**

## **RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEAR FINANCIAL REPORT**

The directors confirm that these Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8, namely:

An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Electrocomponents plc are listed in the Electrocomponents Annual Report and Accounts for the year ended 31 March 2015, with the exception of the following changes in the period: Mr Simon Boddie stepped down as Group Finance Director on 30 September 2015. A list of current directors is maintained on the Electrocomponents PLC website: [www.electrocomponents.com](http://www.electrocomponents.com).

**Lindsley Ruth, Chief Executive Officer**

**Sally Adams, Acting Chief Financial Officer**

**19 November 2015**

## Condensed Consolidated Income Statement

	Note	Unaudited 6 months to 30.9.2015 £m	Unaudited 6 months to 30.9.2014 As restated* £m	Audited Year to 31.3.2015 £m
<b>Revenue</b>	1	<b>626.5</b>	616.4	1,266.2
Cost of sales		<b>(355.2)</b>	(339.2)	(701.5)
<b>Gross profit</b>		<b>271.3</b>	277.2	564.7
Distribution and marketing expenses		<b>(241.8)</b>	(210.8)	(448.9)
Administrative expenses		<b>(7.1)</b>	(6.7)	(14.6)
<b>Operating profit</b>		<b>22.4</b>	59.7	101.2
<b>Financial income</b>		<b>0.8</b>	1.1	2.0
<b>Financial expense</b>		<b>(3.3)</b>	(3.7)	(7.1)
<b>Profit before tax</b>	1	<b>19.9</b>	57.1	96.1
Income tax expense	3	<b>(6.2)</b>	(14.9)	(25.8)
<b>Profit for the period attributable to the equity shareholders of the parent company</b>		<b>13.7</b>	42.2	70.3
<b>Earnings per share – Basic</b>	4	<b>3.1p</b>	9.6p	16.0p
<b>Earnings per share – Diluted</b>	4	<b>3.1p</b>	9.5p	15.9p
<b>Dividends</b>				
Amounts recognised in the period:				
Final dividend for the year ended 31 March	5	<b>6.75p</b>	6.75p	6.75p
Interim dividend for the year ended 31 March 2015	5	-	-	5.0p

An interim dividend of 5.0p per share has been proposed since the period end.

\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

	Note	Unaudited 6 months to 30.9.2015 £m	Unaudited 6 months to 30.9.2014 As restated* £m	Audited Year to 31.3.2015 £m
<b>Headline operating profit</b>				
Operating profit		<b>22.4</b>	59.7	101.2
Intangible fixed asset write down	2	<b>11.4</b>	-	-
Reorganisation costs/pension changes	2	-	(18.1)	(16.0)
		<b>33.8</b>	41.6	85.2
<b>Headline profit before tax</b>				
Profit before tax		<b>19.9</b>	57.1	96.1
Intangible fixed asset write down	2	<b>11.4</b>	-	-
Reorganisation costs/pension changes	2	-	(18.1)	(16.0)
		<b>31.3</b>	39.0	80.1

The notes on pages 20 to 27 form part of the condensed set of financial statements.

## Condensed Consolidated Statement of Comprehensive Income

	<b>Unaudited 6 months to 30.9.2015</b>	Unaudited 6 months to 30.9.2014 As restated*	Audited Year to 31.3.2015
	£m	£m	£m
<b>Profit for the period</b>	<b>13.7</b>	42.2	70.3
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to the income statement</b>			
Re-measurement of pension deficit	16.6	(19.4)	(36.9)
Taxation relating to re-measurement of pension deficit	(3.3)	4.0	7.4
<b>Items that are reclassified subsequently to the income statement</b>			
Foreign exchange translation differences	(4.2)	1.2	13.0
(Loss) gain on cash flow hedges	(2.2)	0.9	1.0
Taxation relating to components of other comprehensive income	0.3	(0.2)	(0.3)
<b>Other comprehensive expense for the financial period</b>	<b>7.2</b>	(13.5)	(15.8)
<b>Total comprehensive income for the financial period</b>	<b>20.9</b>	28.7	54.5

The notes on pages 20 to 27 form part of the condensed set of financial statements.

\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

## Condensed Consolidated Balance Sheet

	Note	Unaudited 30.9.2015 £m	Unaudited 30.9.2014 As restated* £m	Audited 31.3.2015 £m
<b>Non-current assets</b>				
Intangible assets		234.8	225.7	248.1
Property, plant and equipment		97.4	101.4	100.8
Investments		0.5	0.5	0.6
Other receivables		4.4	4.6	3.7
Other financial assets	7	10.2	6.1	13.8
Deferred tax assets		8.7	8.4	11.8
		<b>356.0</b>	<b>346.7</b>	<b>378.8</b>
<b>Current assets</b>				
Inventories	6	283.7	281.9	285.1
Trade and other receivables		205.3	199.7	218.7
Income tax receivables		0.8	2.0	2.2
Cash and cash equivalents	7	8.1	24.2	7.4
		<b>497.9</b>	<b>507.8</b>	<b>513.4</b>
<b>Current liabilities</b>				
Trade and other payables		(181.5)	(186.9)	(204.3)
Provisions and other liabilities		(0.4)	(0.2)	(0.7)
Loans and borrowings	7	(0.3)	(57.2)	(45.9)
Other financial liabilities	7	(0.2)	-	-
Income tax liabilities		(3.4)	(8.0)	(7.9)
		<b>(185.8)</b>	<b>(252.3)</b>	<b>(258.8)</b>
<b>Net current assets</b>		<b>312.1</b>	<b>255.5</b>	<b>254.6</b>
<b>Total assets less current liabilities</b>		<b>668.1</b>	<b>602.2</b>	<b>633.4</b>
<b>Non-current liabilities</b>				
Other payables		(6.9)	(7.3)	(7.9)
Retirement benefit obligations	9	(45.7)	(45.0)	(60.4)
Loans and borrowings	7	(187.5)	(123.6)	(127.9)
Other financial liabilities	7	-	(0.1)	(0.1)
Deferred tax liabilities		(67.6)	(62.0)	(68.8)
		<b>(307.7)</b>	<b>(238.0)</b>	<b>(265.1)</b>
<b>Net assets</b>		<b>360.4</b>	<b>364.2</b>	<b>368.3</b>
<b>Equity</b>				
Called-up share capital		44.0	44.0	44.0
Share premium account		42.7	41.9	41.9
Retained earnings		256.7	265.7	258.3
Cumulative translation reserve		19.2	11.6	23.4
Other reserves		(2.2)	1.0	0.7
<b>Equity attributable to the equity shareholders of the parent company</b>		<b>360.4</b>	<b>364.2</b>	<b>368.3</b>

The notes on pages 20 to 27 form part of the condensed set of financial statements.

\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

## Condensed Consolidated Cash Flow Statement

	Note	Unaudited 6 months to 30.9.2015 £m	Unaudited 6 months to 30.9.2014 As restated* £m	Audited Year to 31.3.2015 £m
<b>Cash flows from operating activities</b>				
Profit before tax		19.9	57.1	96.1
Depreciation and other amortisation		14.1	14.9	30.5
Loss (profit) on disposal of non-current assets		11.5	(0.1)	0.2
Equity-settled transactions		1.5	1.1	1.5
Net finance expense		2.5	2.6	5.1
Non-cash movement on investment in associate		-	(0.1)	(0.2)
<b>Operating cash flow before changes in working capital, interest and taxes</b>		<b>49.5</b>	<b>75.5</b>	<b>133.2</b>
Increase in inventories		(1.7)	(23.9)	(23.3)
Decrease (increase) in trade and other receivables		10.7	11.8	(8.2)
(Decrease) increase in trade and other payables		(20.3)	(9.1)	10.8
(Decrease) increase in provisions and other liabilities		(0.3)	0.2	0.7
<b>Cash generated from operations</b>		<b>37.9</b>	<b>54.5</b>	<b>113.2</b>
Interest received		0.8	1.1	2.0
Interest paid		(3.3)	(3.7)	(7.1)
Income tax paid		(9.8)	(11.7)	(21.6)
<b>Net cash from operating activities</b>		<b>25.6</b>	<b>40.2</b>	<b>86.5</b>
<b>Cash flows from investing activities</b>				
Capital expenditure		(14.3)	(17.3)	(37.6)
Proceeds from sale of property, plant and equipment		-	-	0.1
<b>Net cash used in investing activities</b>		<b>(14.3)</b>	<b>(17.3)</b>	<b>(37.5)</b>
<b>Free cash flow</b>		<b>11.3</b>	<b>22.9</b>	<b>49.0</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of share capital		0.8	0.4	0.4
Purchase of own shares		(1.1)	(0.3)	(0.6)
Loans drawn down		33.4	29.2	25.1
Loans repaid		(13.1)	-	-
Equity dividends paid	5	(29.7)	(29.7)	(51.6)
<b>Net cash used in financing activities</b>		<b>(9.7)</b>	<b>(0.4)</b>	<b>(26.7)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1.6</b>	<b>22.5</b>	<b>22.3</b>
Cash and cash equivalents at the beginning of the period		5.5	(15.1)	(15.1)
Effects of exchange rate fluctuations on cash		0.7	(0.1)	(1.7)
<b>Cash and cash equivalents at the end of the period</b>	7	<b>7.8</b>	<b>7.3</b>	<b>5.5</b>
	Note	Unaudited 6 months to 30.9.2015 £m	Unaudited 6 months to 30.9.2014 £m	Audited Year to 31.3.2015 £m
<b>Headline free cash flow</b>				
Free cash flow		11.3	22.9	49.0
Reorganisation costs	2	0.5	1.7	3.3
		<b>11.8</b>	<b>24.6</b>	<b>52.3</b>

The notes on pages 20 to 27 form part of the condensed set of financial statements.\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

## Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
<b>At 1 April 2015</b>	<b>44.0</b>	<b>41.9</b>	<b>1.6</b>	<b>(0.9)</b>	<b>23.4</b>	<b>258.3</b>	<b>368.3</b>
Profit for the period	-	-	-	-	-	13.7	13.7
Foreign exchange translation differences	-	-	-	-	(4.2)	-	(4.2)
Remeasurement of pension deficit	-	-	-	-	-	16.6	16.6
Net loss on cash flow hedges	-	-	(2.2)	-	-	-	(2.2)
Taxation relating to components of other comprehensive income	-	-	0.3	-	-	(3.3)	(3.0)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1.9)</b>	<b>-</b>	<b>(4.2)</b>	<b>27.0</b>	<b>20.9</b>
Equity settled transactions	-	-	-	-	-	1.5	1.5
Dividends paid	-	-	-	-	-	(29.7)	(29.7)
Shares allotted in respect of share awards	-	0.8	-	0.1	-	(0.1)	0.8
Own shares acquired	-	-	-	(1.1)	-	-	(1.1)
Related tax movements	-	-	-	-	-	(0.3)	(0.3)
<b>At 30 September 2015</b>	<b>44.0</b>	<b>42.7</b>	<b>(0.3)</b>	<b>(1.9)</b>	<b>19.2</b>	<b>256.7</b>	<b>360.4</b>
<b>At 1 April 2014</b>	<b>44.0</b>	<b>41.5</b>	<b>0.9</b>	<b>(0.7)</b>	<b>10.4</b>	<b>268.2</b>	<b>364.3</b>
Profit for the period	-	-	-	-	-	42.2	42.2
Foreign exchange translation differences	-	-	-	-	1.2	-	1.2
Remeasurement of pension deficit	-	-	-	-	-	(19.4)	(19.4)
Net gain on cash flow hedges	-	-	0.9	-	-	-	0.9
Taxation relating to components of other comprehensive income	-	-	(0.2)	-	-	4.0	3.8
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>-</b>	<b>1.2</b>	<b>26.8</b>	<b>28.7</b>
Equity settled transactions	-	-	-	-	-	1.1	1.1
Dividends paid	-	-	-	-	-	(29.7)	(29.7)
Shares allotted in respect of share awards	-	0.4	-	0.4	-	(0.4)	0.4
Own shares acquired	-	-	-	(0.3)	-	-	(0.3)
Related tax movements	-	-	-	-	-	(0.3)	(0.3)
<b>At 30 September 2014</b>	<b>44.0</b>	<b>41.9</b>	<b>1.6</b>	<b>(0.6)</b>	<b>11.6</b>	<b>265.7</b>	<b>364.2</b>
<b>As restated*</b>	<b>44.0</b>	<b>41.9</b>	<b>1.6</b>	<b>(0.6)</b>	<b>11.6</b>	<b>265.7</b>	<b>364.2</b>

\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.



## Condensed Consolidated Statement of Changes in Equity (continued)

	Share capital £m	Share Premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
<b>At 1 April 2014</b>	<b>44.0</b>	<b>41.5</b>	<b>0.9</b>	<b>(0.7)</b>	<b>10.4</b>	<b>268.2</b>	<b>364.3</b>
Profit for the period	-	-	-	-	-	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
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>-</b>	<b>13.0</b>	<b>40.8</b>	<b>54.5</b>
Equity settled transactions	-	-	-	-	-	1.5	1.5
Dividends paid	-	-	-	-	-	(51.6)	(51.6)
Shares allotted in respect of share awards	-	0.4	-	0.4	-	(0.4)	0.4
Own shares acquired	-	-	-	(0.6)	-	-	(0.6)
Related tax movements	-	-	-	-	-	(0.2)	(0.2)
<b>At 31 March 2015</b>	<b>44.0</b>	<b>41.9</b>	<b>1.6</b>	<b>(0.9)</b>	<b>23.4</b>	<b>258.3</b>	<b>368.3</b>

The notes on pages 20 to 27 form part of the condensed set of financial statements.

## **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

Electrocomponents plc (the “Company”) is a company domiciled in the UK. The condensed set of financial statements for the six months ended 30 September 2015 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in a jointly controlled entity. This condensed set of financial statements does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2015 were approved by the Board of Directors on 21 May 2015 and 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.

This condensed set of financial statements has been reviewed, not audited. The Group financial statements for the year ended 31 March 2015 are available upon request from the Company’s registered office at International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW, United Kingdom.

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.

These condensed interim financial statements for the six months ended 30 September 2015 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, ‘Interim financial reporting’, as adopted by the European Union. The condensed set of financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with IFRSs as adopted by the European Union.

### ***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 2015.

### **Statement of compliance**

This condensed set of financial statements was approved by the Board of Directors on 19 November 2015.

### ***Significant accounting policies***

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 March 2015.

There are no further IFRSs or IFRS Interpretation Committee interpretations not yet effective that would be expected to have a material impact on the Group.

### ***Estimates and judgements***

The preparation of a condensed set 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.

The significant judgements made by management in applying the Group’s accounting policies were the same as those that applied to the Group financial statements for the year ended 31 March 2015. The key risks and uncertainties are explained on page 9 of this half-year financial report. Full details are in the Group’s Annual Report and Accounts on pages 26 to 31.

### ***Vendor Rebates***

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

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

Previously, the Group recognised rebates only once received. As noted in the Financial Statements for the year ended 31 March 2015 a change in recognition has resulted in the earlier recognition of £1.6 million of rebates in our results for the six months to 30 September 2014. The impact of this change has been reflected in restated comparatives for the half year to 30 September 2014 including revised segmental analysis. The change in recognition had no material impact on the full year results. The total amount of vendor rebates received in the year ended 31 March 2015 was £7.7 million.

## 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.

These operating segments are: the United Kingdom, Continental Europe, North America and Asia Pacific. The United Kingdom comprises operations in the United Kingdom and exports to distributors where the Group does not have a local operating company. Continental Europe comprises operations in France, Germany, Italy, Austria, Denmark, Norway, Sweden, Republic of Ireland, Spain, Switzerland, the Netherlands, Belgium, Poland, Hungary and the Czech Republic. North America comprises operations in the United States of America and Canada. Asia Pacific comprises operations in Japan, Australia, New Zealand, Singapore, Malaysia, Philippines, Thailand, Hong Kong, Taiwan, People's Republic of China, South Korea, Chile and South Africa.

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

	6 months to 30.9.2015 £m	6 months to 30.9.2014 As restated* £m	Year to 31.3.2015 £m
<b>Revenue from external customers</b>			
United Kingdom	178.1	180.1	363.8
Continental Europe	215.0	213.3	447.3
North America	159.9	146.5	302.7
Asia Pacific	73.5	76.5	152.4
	<b>626.5</b>	616.4	1,266.2
<b>Headline contribution</b>			
United Kingdom	43.8	49.8	98.8
Continental Europe	44.0	47.3	95.7
North America	20.9	19.6	41.9
Asia Pacific	3.6	4.9	11.9
	<b>112.3</b>	121.6	248.3
<b>Reorganisation costs and pension changes</b>			
United Kingdom	-	10.6	10.9
Continental Europe	-	(0.2)	(0.8)
North America	-	-	-
Asia Pacific	-	(1.3)	(1.8)
Process costs	<b>(11.4)</b>	9.0	7.7
	<b>(11.4)</b>	18.1	16.0

\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

## 1 Segmental reporting (cont.)

	6 months to 30.9.2015 £m	6 months to 30.9.2014 As restated* £m	Year to 31.3.2015 £m
<b>Reported contribution</b>			
United Kingdom	43.8	60.4	109.7
Continental Europe	44.0	47.1	94.9
North America	20.9	19.6	41.9
Asia Pacific	3.6	3.6	10.1
	<b>112.3</b>	<b>130.7</b>	<b>256.6</b>
<b>Reconciliation of contribution to profit before tax</b>			
Contribution	112.3	130.7	256.6
Group Process costs	(89.9)	(71.0)	(155.4)
Net financial expense	(2.5)	(2.6)	(5.1)
Profit before tax	<b>19.9</b>	<b>57.1</b>	<b>96.1</b>

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

	6 months to 30.9.2015 £m	6 months to 30.9.2014 £m	Year to 31.3.2015 £m
Electronics and Automation and Control products	354.0	340.5	698.4
Other Maintenance products	272.5	275.9	567.8
	<b>626.5</b>	<b>616.4</b>	<b>1,266.2</b>

## 2 Intangible asset write down, reorganisation costs and pension changes

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

	6 months to 30.9.2015 £m	6 months to 30.9.2014 £m	Year to 31.3.2015 £m
Intangible fixed asset write down	(11.4)	-	-
Redundancy and associated costs	-	(1.9)	(4.4)
Pension changes	-	20.0	20.4
	<b>(11.4)</b>	<b>18.1</b>	<b>16.0</b>

During the six months ended 30 September 2015 and in line with the Group's business priorities an IT project was placed on hold and is being reassessed. As a result a non-cash write down of the intangible fixed asset cost of £11.4 million has been made.

### 3 Taxation on the profit of the Group

	6 months to 30.9.2015	6 months to 30.9.2014 As restated*	Year to 31.3.2015
	£m	£m	£m
United Kingdom taxation	(3.2)	5.8	7.6
Overseas taxation	9.4	9.1	18.2
	<b>6.2</b>	14.9	25.8

\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

### 4 Earnings per share

	6 months to 30.9.2015	6 months to 30.9.2014 As restated*	Year to 31.3.2015
	£m	£m	£m
Profit for the period attributable to equity shareholders	13.7	42.2	70.3
Intangible fixed asset write down, reorganisation costs and pension changes	11.4	(18.1)	(16.0)
Tax impact of intangible fixed asset write down, reorganisation costs and pension changes	(2.3)	3.8	3.7
Headline profit on ordinary activities after taxation	<b>22.8</b>	27.9	58.0
Weighted average number of shares (millions)	<b>439.3</b>	439.6	439.5
Diluted weighted average number of shares (millions)	<b>440.3</b>	442.2	440.8
Headline basic earnings per share	<b>5.2p</b>	6.3p	13.2p
Basic earnings per share	<b>3.1p</b>	9.6p	16.0p
Headline diluted earnings per share	<b>5.2p</b>	6.3p	13.2p
Diluted earnings per share	<b>3.1p</b>	9.5p	15.9p

\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

### 5 Dividends

	6 months to 30.9.2015	6 months to 30.9.2014	Year to 31.3.2015
	£m	£m	£m
<b>Amounts recognised and paid in the period:</b>			
Final dividend for the year ended 31 March 2015: 6.75p (2014: 6.75p)	<b>29.7</b>	29.7	29.6
Interim dividend for the year ended 31 March 2015 – 5.0p (2014: 5.0p)	-	-	22.0
	<b>29.7</b>	29.7	51.6

#### Amounts determined after the balance sheet date:

Interim dividend for the year ending 31 March 2016 – 5.0p

The timetable for the payment of the interim dividend is:

Ex-dividend	3 December 2015
Dividend record date	4 December 2015
Dividend payment date	13 January 2016

## 6 Inventories

	30.9.2015	30.9.2014	31.3.2015
	£m	£m	£m
Gross inventories	309.0	309.1	308.5
Stock provision	(25.3)	(27.2)	(23.4)
<b>Net inventory</b>	<b>283.7</b>	<b>281.9</b>	<b>285.1</b>

During the 6 months ended 30 September 2015 £4.4 million (2014: £4.7 million; year ended 31 March 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

	30.9.2015	30.9.2014	31.3.2015
	£m	£m	£m
<b>Cash and cash equivalents</b>			
Cash and cash equivalents in the balance sheet	8.1	24.2	7.4
Bank overdrafts	(0.3)	(16.9)	(1.9)
Cash and cash equivalents in the cash flow statement	7.8	7.3	5.5
Loans repayable after more than one year	(62.1)	(67.7)	(66.6)
Private placement loan notes	(125.3)	(96.3)	(105.3)
Fair value of swap hedging fixed rate borrowings	10.0	6.0	13.8
<b>Net debt</b>	<b>(169.6)</b>	<b>(150.7)</b>	<b>(152.6)</b>
Pension deficit	(45.7)	(45.0)	(60.4)
<b>Net debt including pension deficit</b>	<b>(215.3)</b>	<b>(195.7)</b>	<b>(213.0)</b>

	6 months to 30.9.2015	6 months to 30.9.2014	Year to 31.3.2015
	£m	£m	£m
<b>Analysis of movements in net debt</b>			
Net debt at 1 April	(152.6)	(143.6)	(143.6)
Free cash flow	11.3	22.9	49.0
Equity dividends paid	(29.7)	(29.7)	(51.6)
New shares issued	0.8	0.4	0.4
Own shares acquired	(1.1)	(0.3)	(0.6)
Translation differences	1.7	(0.4)	(6.2)
<b>Net debt at period end</b>	<b>(169.6)</b>	<b>(150.7)</b>	<b>(152.6)</b>

## 8 Financial Instruments

### Fair values of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are below. None of the financial assets or financial liabilities has been reclassified during the year.

	Valuation Methodology	Carrying value £m	Fair value £m
<b>Financial assets at 30 September 2015</b>			
<b>Financial assets held at Fair Value</b>			
Interest rate swaps used for fair value hedging	A	10.2	10.2
Forward exchange rate contracts used for cash flow hedging	A	1.6	1.6
		11.8	11.8
<b>Financial assets held at Amortised Cost</b>			
Cash and cash equivalents	D	8.1	8.1
Trade receivables, other receivables and accrued income	F	197.1	197.1
		205.2	205.2
<b>Total Financial assets</b>		<b>217.0</b>	<b>217.0</b>
<b>Financial liabilities at 30 September 2015</b>			
<b>Financial liabilities held at Fair Value</b>			
Interest rate swaps used for fair value hedging	A	(0.2)	(0.2)
Interest rate swaps used for cash flow hedging	A	(0.1)	(0.1)
Forward exchange rate contracts used for cash flow hedging	A	(0.6)	(0.6)
		(0.9)	(0.9)
<b>Financial liabilities held at Amortised Cost</b>			
Bank facilities	D	(62.1)	(62.1)
Private Placement notes subject to fair value hedge	C	(92.3)	(92.3)
Private Placement notes	D	(33.0)	(34.9)
Bank overdrafts	D	(0.3)	(0.3)
Trade payables, other payables and accruals	F	(194.3)	(194.3)
		(382.0)	(383.9)
<b>Total Financial liabilities</b>		<b>(382.9)</b>	<b>(384.8)</b>
<b>Financial assets at 30 September 2014</b>			
<b>Financial assets held at Fair Value</b>			
Interest rate swaps used for fair value hedging	A	6.0	6.0
Forward exchange rate contracts used for cash flow hedging	A	2.7	2.7
		8.7	8.7
<b>Financial assets held at Amortised Cost</b>			
Cash and cash equivalents	D	24.2	24.2
Trade receivables, other receivables and accrued income	F	186.0	186.0
		210.2	210.2
<b>Total Financial assets</b>		<b>218.9</b>	<b>218.9</b>



## 8 Financial Instruments (cont.)

### Financial liabilities at 30 September 2014

#### Financial liabilities held at Fair Value

Interest rate swaps used for fair value hedging	A	(0.1)	(0.1)
Forward exchange rate contracts used for cash flow hedging	A	(0.3)	(0.3)
		(0.4)	(0.4)

#### Financial liabilities held at Amortised Cost

Bank facilities	D	(67.7)	(67.7)
Private Placement notes subject to fair value hedge	C	(65.4)	(65.4)
Private Placement notes	D	(30.9)	(32.0)
Bank overdrafts	D	(16.9)	(16.9)
Trade payables, other payables and accruals*	F	(202.4)	(202.4)
		(383.3)	(384.4)

<b>Total Financial liabilities</b>		<b>(383.7)</b>	<b>(384.8)</b>
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\* Restated for the change in the accounting recognition of vendor rebates. For further details refer to basis of preparation on pages 18 and 19.

	Valuation Methodology	Carrying value £m	Fair value £m
<b>Financial assets at 31 March 2015</b>			
<b>Financial assets held at Fair Value</b>			
Interest rate swaps used for fair value hedging	A	13.8	13.8
Forward exchange rate contracts used for cash flow hedging	A	3.0	3.0
		16.8	16.8
<b>Financial assets held at Amortised Cost</b>			
Cash and cash equivalents	D	7.4	7.4
Trade receivables, other receivables and accrued income	F	205.0	205.0
		212.4	212.4
<b>Total Financial assets</b>		<b>229.2</b>	<b>229.2</b>

### Financial liabilities at 31 March 2015

#### Financial liabilities held at Fair Value

Interest rate swaps used for fair value hedging	A	(0.1)	(0.1)
Forward exchange rate contracts used for cash flow hedging	A	(0.5)	(0.5)
		(0.6)	(0.6)

#### Financial liabilities held at Amortised Cost

Bank facilities	D	(66.6)	(66.6)
Private Placement notes subject to fair value hedge	C	(71.5)	(71.5)
Private Placement notes	D	(33.8)	(34.2)
Bank overdrafts	D	(1.9)	(1.9)
Trade payables, other payables and accruals	F	(220.4)	(220.4)
		(394.2)	(394.6)

<b>Total Financial liabilities</b>		<b>(394.8)</b>	<b>(395.2)</b>
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## **Estimation of fair values**

The fair values reflected in the table above have been determined by reference to available market information at the balance sheet date and using the methodologies described below.

### *A Derivative financial assets and liabilities*

Fair values are estimated by discounting expected future contractual cash flows using prevailing interest rate curves and valuing any amounts denominated in foreign currencies at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices (Level 2 as defined by IFRS 13 Fair Value Measurement).

### *B Interest-bearing loans held at fair value*

These comprise sterling and foreign currency denominated interest bearing loans which are subject to hedge accounting. The foreign currency amounts have been valued at the exchange rate prevailing at the balance sheet date (Level 2 as defined by IFRS 13 Fair Value Measurement).

### *C Loans designated under fair value hedge relationships*

These comprise sterling and foreign currency denominated interest bearing loans which are subject to hedge accounting. The foreign currency amounts have been valued at the exchange rate prevailing at the balance sheet date. These loans have been designated under fair value hedge relationships (Level 2 as defined by IFRS 13 Fair Value Measurement).

### *D Cash and cash equivalents, Bank overdrafts, Interest-bearing loans held at amortised cost*

Cash and cash equivalents largely comprise local bank account balances, which typically bear interest at rates set by reference to local applicable rates or cash float balances which have not yet cleared for interest purposes. Fair values are estimated to equate to carrying amounts as their re-pricing maturity is less than one year (Level 2 as defined by IFRS 13 Fair Value Measurement).

Interest bearing loans held at amortised cost comprise fixed rate sterling and foreign currency denominated loans. For carrying values the foreign currency principal amounts have been valued at the exchange rate prevailing at the balance sheet date. Fair values are estimated by discounting future cash flows using prevailing interest rate curves (Level 2 as defined by IFRS 13 Fair Value Measurement).

Bank overdrafts are repayable on demand and are all unsecured. They bear interest at rates set by reference to applicable local rates. Fair values are estimated to equate to carrying amounts as their re-pricing maturity is less than one year (Level 2 as defined by IFRS 13 Fair Value Measurement).

### *E Finance lease liabilities*

Fair values are estimated by discounting future cash flows using prevailing interest rate curves (Level 2 as defined by IFRS 13 Fair Value Measurement).

### *F Other financial assets and liabilities*

Fair values of receivables and payables are determined by discounting future cash flows. For amounts with a repricing maturity of less than one year, fair value is assumed to approximate to the carrying amount (Level 2 as defined by IFRS 13 Fair Value Measurement).

## Cash pooling

The Group operates legal arrangements whereby cash balances and overdrafts held with the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. These cash and bank overdraft figures before netting are shown in the tables below:

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
<b>30 September 2015</b>			
Cash at bank and in hand	312.1	(307.2)	4.9
Bank overdrafts	(307.2)	307.2	-
<b>Total</b>	<b>4.9</b>	<b>-</b>	<b>4.9</b>
<b>30 September 2014</b>			
Cash at bank and in hand	229.2	(222.0)	7.2
Bank overdrafts	(232.2)	222.0	(10.2)
<b>Total</b>	<b>(3.0)</b>	<b>-</b>	<b>(3.0)</b>
<b>31 March 2015</b>			
Cash at bank and in hand	310.1	(309.5)	0.6
Bank overdrafts	(311.0)	309.5	(1.5)
<b>Total</b>	<b>(0.9)</b>	<b>-</b>	<b>(0.9)</b>

## 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:

	30.9.2015	30.9.2014	31.3.2015
	As restated*	As restated*	As restated*
	£m	£m	£m
Total market value of the schemes' assets	425.9	409.3	453.9
Present value of the schemes' liabilities	(471.6)	(454.3)	(514.3)
Schemes' deficit	(45.7)	(45.0)	(60.4)

\*Prior periods have been restated to reflect all defined benefit pension schemes.

## 10 Principal exchange rates

	6 months to 30.9.2015	6 months to 30.9.2014	Year to 31.3.2015
<b>Average for the period</b>			
Euro	1.39	1.24	1.27
United States Dollar	1.54	1.68	1.61
<b>Period end</b>			
Euro	1.35	1.28	1.38
United States Dollar	1.51	1.62	1.48

## 11 Related party transactions

There are no significant related party transactions requiring disclosure. Key management compensation will be disclosed in the 2016 Annual Report and Accounts.

# **Independent review report to Electrocomponents PLC**

## **Report on the condensed set of financial statements**

### **Our conclusion**

We have reviewed Electrocomponents PLC's condensed set of financial statements (the "interim financial statements") in the half-yearly financial report of Electrocomponents PLC for the 6 month period ended 30 September 2015. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **What we have reviewed**

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 September 2015;
- the condensed consolidated income statement and statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in the "Basis of Preparation" in the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Responsibilities for the interim financial statements and the review**

#### **Our responsibilities and those of the directors**

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
19 November 2015

- a) The maintenance and integrity of the Electrocomponents PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.