IESA LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2021

Registered Number: 04188491

Strategic Report

The Directors present their strategic report for the year ended 31 March 2021.

Principal activity, business review and key performance indicators
The principal activity of IESA Limited (the Company) is outsourced procurement and stores management. It is part of the Electrocomponents Group (the Group).

The Company has a number of clients in the automotive and aerospace sectors which suffered significant trading pressure from COVID-19 affecting the Company's turnover which decreased by 18% to £19,227,000 (2020: £23,314,000). Costs were managed accordingly, although investments continued to be made in developing capabilities and winning new clients. Also, despite a number of employees being on furlough, the Company did not claim any support from the government. These led to a profit before taxation of £1,424,000 (2020: loss of £2,773,000, profit of £4,503,000 excluding the British Steel Limited debtor write off of £7,276,000), down 68% excluding last year's debtor write off.

The Company's net assets increased to £6,300,000 (2020: £4,602,000) due to the profit in the year.

The Company's new business activity remains encouraging with recent wins with Akzo Nobel and Venator UK. These wins are supplemented by contract extensions at a number of key clients including Morrisons, Molson Coors and Cummins. The latter includes an increase in scope and the number of sites served which will see the client's annualised spend more than triple.

Employee numbers decreased to 448 (2020: 457).

Future developments
The Company will continue to concentrate on the quality of client service and cost efficiency that it can bring to the various manufacturing and production market sectors in the UK while also looking to develop its services in new sectors in Europe and beyond. This development will be through both existing and new services, with a continued focus on cost efficiency and the use of, and continued investment and development in, strong technology and IT platforms to provide innovative proposals to clients. Growth is planned to be closely controlled to ensure that the quality of service to all clients is maintained and enhanced.

Section 172(1) statement
Under section 172(1) of the Companies Act 2006, the Directors are required to act in a way that they consider, in all good faith, would most likely promote the success of the Company. This success must be for the benefit of the Company's shareholder but also for all its other stakeholders.

This has never been more relevant than during the continued COVID-19 pandemic. The Company continues to work hard to keep its employees safe and its business viable; endeavouring to keep its customers running and also supporting those critical businesses that rely on it, such as food and beverage, healthcare, utilities and power generation industries. These are some of the Company's stakeholders and how it treats and interacts with them, especially during this uncertain time, demonstrates how seriously the Directors take their responsibilities under section 172.

Detailed information of how the Directors have supported the Company's employees is included in people and health and safety below and in employee engagement on page 3.

The Directors regularly meet and talk to the Company's prospective, new and existing clients to ensure the Company continues to provide innovative solutions and cost efficiencies for them in the long term. This is considered carefully when deciding how the Company will develop in the future as described in future developments above.

The Directors also regularly meet and talk to suppliers including senior managers in other Group companies, to ensure the Company works closely with them to provide its clients with the best service and price.

The Directors take seriously the impact the Company has on its local communities and the environment, and has continued to host Christmas food bank collections. However, due to the office being temporarily closed due to COVID-19, the Company has not been able to hold any local charity events there as it has done in previous years. The Directors also ensure the Company works closely with its clients to whom it provides stores management to help them minimise the negative impacts and maximise the positive benefits on their local communities and the environment. This can be seen by the work done during the COVID-19 pandemic.

The Company's reputation for having high standards of business and ethical conduct is managed carefully by the Directors in ensuring the Company follows the Group's codes of conduct for its employees (Speak Up) and for its suppliers, and in ensuring its employees are properly trained and follow the Group's information security policies and procedures and the General Data Protection Regulation (GDPR).

Principal risks and uncertainties
Principal risks and uncertainties affecting the Company are summarised below.

Prolonged effects of the ongoing COVID-19 pandemic: The COVID-19 pandemic continues to have a far-reaching impact across the world although the scale, duration and extent of the effects are better understood. Uncertainties arising as a result of the pandemic include: changes in customer demand; potential impacts on cash flow, specifically the recoverability of trade debtors; delays and difficulties sourcing products; uncertainty about the duration and later frequency of future disease control activities; and speed and extent to which industries can recover. The Company, as part of the Group, has undertaken mitigating actions to attempt to reduce the impact of the pandemic on the business, further details of which are available in the 2021 Electrocomponents plc Annual Report and Accounts.

Strategic Report (continued)

People: The retention and recruitment of staff is a key priority for the Company. Defined recruitment and retention policies exist and are managed to ensure the Company is competitive and attracts the best candidates. The Company has a graduate programme, Leaders in IESA Fast Track (LIFT), that attracts high achieving graduates and internal high potential candidates who work through a rotational 36 month programme.

Health and safety: The Company has further enhanced the attention it gives to health and safety investing heavily to ensure performance remains excellent in this critical area, building on last year's roll out of the Target Zero Behavioural Safety training campaign. There has been a focus this year on the wellbeing and mental health of the Company's employees as they adapt to either working remotely for prolonged periods of time or working in a socially distanced and COVID-19 safe manner at its clients' sites.

Operational performance: The Company is continually reviewing procedures and systems to ensure that the work performed is of the highest quality in order to retain existing clients and attract new clients. This is underlined by the Company's commitment to retaining ISO accreditation in relevant areas.

Financial risk management

Liquidity and interest rate risk: The Company has arrangements with the Group that enable it to access funds when needed to meet its liquidity requirements. Interest receivable and payable on loans with other Group companies is calculated based on market rates of interest. The Group liquidity requirements and interest rate risks are managed at a Group level.

Credit risk: The Company is exposed to credit risk on financial assets such as cash balances (including deposits and cash and cash equivalents) and on trade and other debtors.

Foreign currency transaction risk: The Company is exposed to foreign currency transaction risk on purchases made in currencies other than sterling and also foreign currency loans from Electrocomponents plc. This risk is managed through the Group.

On behalf of the Board:

V E Gough
Director
29 March 2022

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 March 2021.

Directors
The Directors who held office during the year were as follows:
D C A Bowring
D J Egan
V E Gough
I P Haslegrave
A B Perry

Directors' and Officers' liability insurance
In accordance with the Company's Articles of Association, the ultimate parent company (Note 23) entered into a deed in 2007 to indemnify the Directors (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this report was approved) is available at the registered office of the Company. The ultimate parent company purchased and maintained Directors' and Officers' liability insurance throughout 2020, which was renewed for 2021, for each of its Directors and each of the Directors of its subsidiary companies. It remains in force at the date of approval of this Directors' Report. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

Dividends
No dividends were paid during the year (2020: £4,000,000 in respect of the period ended 31 March 2019). The Directors do not propose a final dividend for the year ended 31 March 2021 (2020: £nil).

Research and development
Work is continuing in the further development and expansion of the technology platform and service offering to meet client requirements and to take advantage of new technology as it becomes available. The Company's focus continues to be on the use of technology to improve efficiency and the quality of information available to clients to make informed decisions.

Employee engagement
During the year, the policy of providing employees with information about the Company has continued through internal media methods and employees have been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between the Directors, local management and employees to allow a free flow of information and ideas.

Listening to employees is a central part of building and enhancing the Company's culture and, as part of the Group, it regularly conducts employee engagement surveys, known as My Voice. Also, one of the Group's Board non-executive directors is responsible for employee engagement. During the year ended 31 March 2020, she visited the Company and held face-to-face meetings with employees by way of town halls and a series of drop-in sessions. Her findings were fed back to the Group's Board, it agreed follow-up actions and the Company's Directors took forward these actions and fed them back to employees. During the year ended 31 March 2021, the opportunity to meet employees face-to-face was prevented by the outbreak of COVID-19. It was therefore necessary to consider alternative ways of engaging with employees with a focus on gauging how they were dealing with the challenges of the pandemic. The Company took the opportunity to engage with its managers through the Group's online Management Matters forum. Two virtual meetings were held, the first in July 2020 and the second in August 2020. The Group's Board discussed the findings from these sessions, which included the impact of COVID-19 on furloughed and non-furloughed employees, how those working from home were juggling work with childcare and how the Group was maintaining connectivity with colleagues. The Company Directors used this information to assess how management was taking care of its employees.

Employment of disabled persons
The Company is committed to a policy of equal opportunities with regards to its employment practices and procedures. The Company remains supportive of the employment and advancement of disabled persons, and adopts the Group's practices of giving fair consideration to applications for employment from disabled people as well as their training, career development and promotion. Where appropriate, facilities are adapted and retraining offered to any employee developing a disability whilst employed.

Business relationships
How the Directors have had regard to the need to foster the Company's business relationships with its suppliers, clients and others and the effect of that regard, including on the principal decisions taken by the Company during the year, is considered in the Strategic Report.

Other information to report
The following information is set out on the pages below:

- Financial results – page 8
- Financial instruments and financial risk management – pages 2, 12 and 16
- Likely future developments – page 1

Directors' Report (continued)

Disclosure of information to auditors

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

Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the accounts;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board:

V E Gough
Director
29 March 2022

Independent auditors' report to the members of IESA Limited

<u>Report on the audit of the financial statements</u>

Opinion

In our opinion, IESA Limited's accounts (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Independent auditors' report to the members of IESA Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the statement of Directors' responsibilities in respect of the accounts, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and management bias in determining significant accounting estimates. Audit procedures performed by the engagement team included:

- inquiry of those charged with governance to assess if there any are instances of non-compliance with laws or regulations that have a material effect on the financial statements
- reviewing minutes of board meetings held between the Directors to assess if there have been any instances of non-compliance with relevant laws or regulations
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations
- testing journal entries meeting specific risk criteria, testing accounting estimates for indication of management bias and evaluating the business rationale of any significant transactions outside the normal course of business;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- reviewing legal expense listings to identify indications of potential non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of IESA Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sandeep Dhillon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 March 2022

Statement of Comprehensive Income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	5	**19,227**	23,314
Cost of sales		**(5,899)**	(6,743)
Gross profit		**13,328**	16,571
Administrative expenses		**(12,466)**	(12,550)
British Steel Limited debtor written off	16	**-**	(7,276)
Other operating income		**798**	827
Operating profit / (loss)	6	**1,660**	(2,428)
Interest payable and similar charges	11	**(236)**	(345)
Profit / (loss) before taxation		**1,424**	(2,773)
Tax (charge) / credit on profit / (loss)	12	**(141)**	51
Profit / (loss) and total comprehensive income / (expense) for the year		**1,283**	(2,722)

The notes on pages 11 to 17 are an integral part of these accounts.

Balance Sheet
as at 31 March 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	14	**3,723**	3,340
Tangible assets	15	**844**	1,233
Total fixed assets		**4,567**	4,573
Current assets			
Debtors: amounts falling due after more than one year	16	**754**	10
Debtors: amounts falling due within one year	16	**53,500**	81,772
Cash at bank and in hand		**10,468**	1,688
Total current assets		**64,722**	83,470
Creditors: amounts falling due within one year	17	**(62,948)**	(83,414)
Net current assets		**1,774**	56
Total assets less current liabilities		**6,341**	4,629
Creditors: amounts falling due after more than one year	18	**(41)**	(27)
Net assets		**6,300**	4,602
Capital and reserves			
Share capital	21	**909**	909
Profit and loss account		**5,391**	3,693
Total equity		**6,300**	4,602

The notes on pages 11 to 17 are an integral part of these accounts.

These accounts on pages 8 to 17 were approved by the Board of Directors on 29 March 2022 and were signed on its behalf by:

V E Gough
Director
Company number: 04188491

Statement of Changes in Equity
for the year ended 31 March 2021

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2019	909	10,347	11,256
Loss and total comprehensive expense for the year	-	(2,722)	(2,722)
Dividends (Note 13)	-	(4,000)	(4,000)
Equity-settled share-based payments	-	68	68
At 31 March 2020	909	3,693	4,602
Profit and total comprehensive income for the year	-	1,283	1,283
Equity-settled share-based payments	-	415	415
At 31 March 2021	**909**	**5,391**	**6,300**

The notes on pages 11 to 17 are an integral part of these accounts.

Notes to the accounts

1. **General information**
The Company is a wholly-owned subsidiary of Electrocomponents plc. The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is IESA Works, Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK.

2. **Statement of compliance**
These accounts have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and the Companies Act 2006. They are presented in sterling and rounded to the nearest £1,000.

3. **Summary of significant accounting policies**
The principal accounting policies applied in the preparation of these accounts are set out below and have been consistently applied.

(a) Basis of preparation
These accounts are prepared on a going concern basis, under the historical cost convention.

Electrocomponents plc has confirmed it will continue to make funds available to enable the Company to meet all its financial obligations as they fall due during the going concern period. Electrocomponents plc's viability statement can be found on pages 50 and 51 of its Annual Report and Accounts for the year ended 31 March 2021 which are publicly available (Note 23). Therefore, whilst the continued impact of COVID-19 is uncertain, based on the current position and assumptions, the directors do not believe that it would have a material impact on the Company's financial position and so have determined that the preparation of these accounts on a going concern basis is appropriate.

Exemptions for qualifying entities under FRS 102
The Company is included in Electrocomponents plc's consolidated accounts which are publicly available (Note 23) and has therefore taken advantage of the following disclosure exemptions available under FRS 102:
- preparation of a cash flow statement
- financial instrument disclosures
- share-based payment disclosures
- key management personnel compensation disclosure

(b) Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes for services supplied to third parties.

The Company recognises revenue for management charges, which are fees charged to clients in relation to the provision of the outsourced services, in the month the services are supplied. Licence fee income is earned from suppliers in relation to the fees they pay to access the client base via the online procurement portal MyMRO. This income is recognised in the month the licence fee is earned.

The Company acts as an agent in relation to the products sourced for its clients and so does not recognise the value of these pass through items in turnover or cost of sales.

(c) Foreign currency transactions
Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rate ruling at that date and the gains and losses on translation are recognised in operating profit.

Foreign exchange gains and losses that relate to pass through items are recognised in administrative expenses.

(d) Post-employment benefits
The Company operates a defined contribution plan for its employees. Contributions are expensed as they fall due.

(e) Other operating income
Other operating income represents amounts recharged to companies in the Group for the costs of central processes incurred by the Company.

(f) Share-based payments
Equity-settled share-based payments are measured at fair value at the grant date, calculated using an appropriate option pricing model. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period that employees become unconditionally entitled to the awards. The income statement charge is adjusted to reflect expected and actual levels of vesting associated with non-market performance related criteria.

Cash-settled share-based payments are measured at fair value at the balance sheet date, taking into account the estimated number of awards that will actually vest and the relative completion of the vesting period. This fair value is included in liabilities and changes in the value of these liabilities are recognised in the income statement.

Notes to the accounts (continued)

3. Summary of significant accounting policies (continued)

(g) Interest receivable and payable

Interest is calculated using the effective interest method and recognised in profit or loss as incurred.

(h) Taxation

Current and deferred tax are recognised in the profit and loss account, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the period, using tax rates that have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised on all timing differences at the balance sheet date except for certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the accounts that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the accounts. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted at the balance sheet date that are expected to apply to the reversal of the timing difference.

(i) Intangible fixed assets

Software is stated at cost less accumulated amortisation and any provisions for impairment. Amortisation is calculated to write off the cost of software on a straight-line basis at annual rates of 10% to 50%.

(j) Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and any provisions for impairment. They are depreciated to residual value, on a straight-line basis at the following annual rates:

Leasehold improvements	over the lease term
Fixtures and fittings	25%
Computer equipment	33%

(k) Leases

Operating leases rentals are charged to operating profit on a straight-line basis over the lease term, net of rent-free periods and similar incentives which are credited to operating profit on the same basis and over the same period.

(l) Basic financial instruments

Basic financial assets, including debtors, cash at bank and in hand and amounts owed by other Group companies, are initially recognised at transaction price and then subsequently at amortised cost less any provision for impairment.

Basic financial liabilities, including creditors and amounts owed to other Group companies, are initially recognised at transaction price and then subsequently at amortised cost.

(m) Distributions

Dividends and other distributions are recognised in the statement of changes in equity and as a liability in the balance sheet in the period in which the dividends and other distributions are approved by the Company's shareholders.

4. Critical accounting judgements and estimation uncertainty

The preparation of accounts under FRS 102 requires the Company to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Except for judgements involved in estimations, no judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the accounts. The judgements involved in estimations have been reviewed to take account of the Company's latest assumptions of any likely further impact of the COVID-19 pandemic and the likely impact of climate change.

Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities in the next year. There are no significant estimates. While not significant estimates, the Company also focuses on estimates made in relation to assumptions made in the review of impairments of trade debtors and other receivables (including prepayments and accrued income) based on overdue status, country, industry and customer risk historical collection experience.

Notes to the accounts (continued)

5. Turnover

The Company has a single class of business and all turnover arose in the UK.

6. Operating profit / (loss)

Operating profit / (loss) is stated after charging / (crediting):

	2021 £000	2020 £000
Depreciation of tangible assets	**553**	519
Amortisation of intangible assets	**409**	250
Loss on disposal of intangible assets	**5**	-
Loss on disposal of tangible assets	**11**	13
Gain on foreign exchange	**(651)**	(33)
Operating lease rentals payable	**305**	373

The fees payable to the Company's auditors for the audit of the accounts were £84,000 (2020: £110,000).

7. Directors' remuneration

The Directors of the Company who are employees of Electrocomponents plc predominantly perform services for Electrocomponents plc and are remunerated by Electrocomponents plc. These Directors received no emoluments for their qualifying services to the Company.

The remuneration of other Directors of the Company were as follows:

	2021 £000	2020 £000
Directors' remuneration	**656**	597
Company contributions to Directors' defined contribution pension scheme	**48**	43
	704	640

No termination benefits (2020: £319,000) were paid during the year.

During the year retirement benefits accrued to 2 Directors (2020: 3) in respect of the defined contribution pension scheme and 5 Directors (2020: 3) became entitled to receive shares under the ultimate parent company's Long Term Incentive Plan. The highest paid Director received remuneration of £440,000 (2020: £285,000) and became entitled to receive shares under the ultimate parent company's Long Term Incentive Plan (2020: nil). The Company's contributions paid to the defined contribution pension scheme in respect of the highest paid Director were £32,000 (2020: £23,000).

8. Employees

The average number of persons employed by the Company during the year was as follows:

	2021	2020
Management and administration	**204**	211
Site operational staff	**242**	244
Directors	**2**	2
	448	457

Employee costs charged to profit and loss were as follows:

	2021 £000	2020 £000
Wages and salaries	**13,524**	12,963
Social security costs	**1,236**	1,291
Share-based payments – equity-settled	**333**	68
Share-based payments – cash-settled	**55**	27
Defined contribution retirement benefit costs	**900**	892
	16,048	15,241
Termination benefits	**2**	122
	16,050	15,363

9. Pension commitments

The Company contributes to a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered scheme. The pension charge represents contributions payable by the Company and amounted to £900,000 (2020: £892,000). Included in creditors is £72,000 (2020: £77,000) in relation to outstanding contributions.

Notes to the accounts (continued)

10. Share-based payments

The Group operates a number of share-based payment schemes for employees in which some of the Company's employees participate. The Company recognises an equity-settled share-based payment expense and a cash-settled share-based payment expense based on a reasonable allocation of the respective total expense of the Group that is based on the number of the Company's employees participating and the number of awards made to them.

Long Term Incentive Plan (LTIP)

There are two active LTIPs: the 2016 LTIP and the 2019 LTIP. Under the LTIPs, awards of shares in Electrocomponents plc are made to plan participants subject to service conditions and performance conditions. At the vesting date, the award will either vest, in full or in part, or expire depending on the outcome of the performance conditions. All awards have nil exercise price and receive accrued dividends on settlement.

Under the 2016 LTIP, awards are subject to a market performance condition based on Total Shareholder Return (TSR) of the Group versus a defined comparator group and non-market performance conditions based on cumulative growth in Group adjusted earnings per share (EPS) over the vesting period and Group return on capital employed (ROCE). They may include a further award (a multiplier) that vests if the Group achieves exceptional adjusted EPS performance over the vesting period.

Under the 2019 LTIP, awards are normally subject to a market performance condition based on TSR of the Group versus a defined comparator group and a non-market performance condition based on cumulative growth in adjusted EPS over the vesting period with a ROCE underpin.

Savings-Related Share Option Scheme (SAYE)

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

Deferred Share Bonus Plan (DSBP)

Under the DSBP, at least one-third of the total bonus earned by plan participants is awarded as shares in Electrocomponents plc and deferred for two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. The participants receive accrued dividends on vesting.

11. Interest payable and similar charges

	2021	2020
	£000	£000
Interest payable to the ultimate parent company	**43**	111
Interest payable to an intermediate parent company	**85**	154
Invoice finance charges	**108**	80
	236	345

Invoice finance charges relate to costs incurred when the Company makes use of its clients' supplier invoice financing options where this is commercially and administratively attractive. These options are used where they give the Company access to the clients' invoice portals to simplify the invoice query reconciliation process and so speed up the receipt of payments.

12. Tax charge / (credit) on profit / (loss)

	2021	2020
	£000	£000
Current tax on profit / loss for the year	**243**	-
Adjustments for prior years	**-**	10
Corporation tax	**243**	10
Origination and reversal of temporary differences	**40**	(65)
Adjustments for prior years	**(142)**	(2)
Changes in tax rates and laws	**-**	6
Deferred tax	**(102)**	(61)
Tax charge / (credit) on profit / (loss)	**141**	(51)

Notes to the accounts (continued)

12. Tax charge / (credit) on profit / (loss) (continued)

The tax charge / (credit) for the year can be reconciled to the statement of comprehensive income as follows:

	2021 £000	2020 £000
Profit / (loss) before taxation	**1,424**	(2,773)
Expected tax charge / (credit) at 19% (2020: 19%)	**271**	(527)
Effects of:		
Tax rate adjustment	**-**	6
Expenses not deductible for tax purposes	**11**	16
Adjustments for prior years	**(142)**	8
Group relief	**-**	446
Other	**1**	-
	141	(51)

Factors that may affect future tax

In March 2021, the UK government announced a change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023, which was substantively enacted on 24 May 2021 and so deferred tax balances have not been recalculated at the new rate. This is not expected to have a material impact.

13. Dividends

The Company paid no dividends during the year (2020: £4,000,000 in respect of the period ended 31 March 2019).

The Directors do not recommend the payment of a final ordinary dividend for the year (2020: £nil).

14. Intangible assets

	Software £000
Cost	
At 1 April 2020	3,714
Additions	798
Disposals	(23)
At 31 March 2021	4,489
Amortisation	
At 1 April 2020	374
Charged in the year	409
Disposals	(17)
At 31 March 2021	766
Net book value	
At 31 March 2021	**3,723**
At 31 March 2020	3,340

15. Tangible assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 April 2020	359	818	2,832	4,009
Additions	-	-	174	174
Disposals	-	(128)	(1,763)	(1,891)
At 31 March 2021	359	690	1,243	2,292
Depreciation				
At 1 April 2020	108	471	2,197	2,776
Charged in the year	34	168	351	553
Disposals	-	(118)	(1,763)	(1,881)
At 31 March 2021	142	521	785	1,448
Net book value				
At 31 March 2021	**217**	**169**	**458**	**844**
At 31 March 2020	251	347	635	1,233

Notes to the accounts (continued)

16. Debtors

	2021 £000	2020 £000
Amounts falling due after more than one year:		
Prepayments and accrued income	**559**	-
Deferred tax (Note 19)	**195**	10
	754	10
Amounts falling due within one year:		
Trade debtors	**32,937**	39,285
Amounts owed by the ultimate parent company	**-**	2,790
Amounts owed by other Group companies	**1,806**	15,611
Other debtors	**42**	9
Corporation tax	**1,057**	1,033
Prepayments and accrued income	**17,658**	23,044
	53,500	81,772

Trade debtors are stated after provisions for impairment of £332,000 (2020: £649,000). Except for British Steel Limited, as described below, the Company has historically experienced very low levels of trade debtors not being recovered. In the year ended 31 March 2020, with the worsening macroeconomic environment due to COVID-19, the Company increased its provisions for those industries that are most affected. During the year ended 31 March 2021, the Company has continued to experience very low levels of trade debtors not being recovered. The Company has carefully reviewed its provisions and reduced them but, with the COVID-19 pandemic continuing and the potential impact on companies when the various government support schemes end, the Company remains cautious about its exposure and so its provisions are still at a higher level than before the pandemic.

During the year ended 31 March 2020, the Company wrote off £7,276,000 of debtors which were no longer recoverable as they related to transactions with British Steel Limited before 22 May 2019 when it entered compulsory liquidation.

Amounts owed by other Group companies are unsecured, interest free and repayable on demand.

17. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	**30,788**	41,568
Amounts owed to the ultimate parent company	**7,571**	-
Amounts owed to an intermediate parent company	**-**	8,083
Amounts owed to other Group companies	**17,776**	24,992
Other taxation and social security	**1,123**	1,100
Other creditors	**122**	85
Accruals and deferred income	**5,568**	7,586
	62,948	83,414

Amounts owed to the ultimate parent company are unsecured, bear interest based on the Bank of England base rate plus a margin of 0.8% and are repayable on demand. Amounts owed to other Group companies are unsecured, interest free and repayable on demand.

18. Creditors: amounts falling due after more than one year

	2021 £000	2020 £000
Other creditors	**41**	27
	41	27

19. Deferred tax

Deferred tax assets / (liabilities) are attributable to the following:

	2021 £000	2020 £000
Fixed asset timing differences	**6**	(23)
Employee benefits	**156**	-
Other timing differences	**33**	33
	195	10

Notes to the accounts (continued)

20. Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are:

	2021	2020
	£000	£000
Within one year	**315**	324
From one to five years	**905**	944
After five years	**290**	540
	1,510	1,808

21. Share capital

	Number	£000
Issued and fully paid ordinary shares of £1.00 each:		
At 1 April 2020 and 31 March 2021	**908,995**	**909**

22. Related party transactions

There were no related party transactions during the year other than between the Company and other wholly-owned Group companies.

23. Controlling parties

The immediate parent company is IESA Holdings Limited.

The ultimate parent company and the smallest and largest group to consolidate these accounts is Electrocomponents plc. Copies of the Electrocomponents plc Annual Report and Accounts are available to the public and may be obtained from Fifth Floor, Two Pancras Square, London N1C 4AG, UK.