

# **RS COMPONENTS LIMITED**

Annual report and financial statements

Registered number 1002091

For the year ended 31 March 2015

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## Strategic Report

The Directors present their strategic report for the year ended 31 March 2015.

### Business review and principal activity

The Company is a wholly owned subsidiary of Electrocomponents plc ('the Group').

The principal activity of the Company is the distribution of electronics, electrical, industrial and commercial supplies and services to industrial and commercial customers. There have not been any significant changes in the Company's principal activities in the year. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Sales in the year ended 31 March 2015 were in line with the prior year with profit before tax showing a decrease of 14%. This was largely driven by external economic factors and a reduction in the amount of operating income received from fellow subsidiaries during the year offset by a one-off credit on the defined benefit pension scheme arising as a result of curtailments applied to the scheme.

The balance sheet, on page 10 of the financial statements, shows the Company's financial position at the year end. Details of the amounts owed to its parent company and fellow subsidiary undertakings are shown in note 15 on page 22.

The Company is part of the Electrocomponents plc Group, which comprises both operating branches that sell within a particular geographic region and central Processes that support the Group's operations across the world and monitors its operations on a regional basis. The Company comprises operations in the UK, Taiwan, and South Africa as well as the majority of the Electrocomponents Group's central Processes.

### Future developments

The Company plans to continue implementing the Electrocomponents Group's strategy as outlined in the Group's Annual Report, focussing on the seven strategic priorities to:

- Grow Target Customers *with*
- One Global Offer *and*
- eCommerce with a Human Touch *providing*
- Value for Money *with a*
- High Performance Team *using*
- Business Insight *and*
- World Class Systems

The performance of the Group is discussed in the Group's Annual Report which does not form part of this report.

### Key performance indicators

A summary of the key performance indicators which are relevant to the Company are set out below:

	2015 £m	2014 £m
Turnover	625.0	626.7
Profit on ordinary activities before taxation	50.7	58.7
Tax on profit on ordinary activities	(10.3)	(11.5)
Profit on ordinary activities after taxation	40.4	47.2

The average number of employees employed during the year is as follows:

2015	2014
2,818	2,913

There are no other relevant financial or non-financial key performance indicators.

## Strategic Report (continued)

### Principal risks and uncertainties

The Company's sales in Taiwan and South Africa are in the currencies of those countries. Purchases made in foreign currency are hedged by the Group. Further details are available in the Group Annual Report and Accounts. In addition the UK has an export business, a small proportion of whose sales are denominated in Euros and US Dollars. The Company is, therefore, exposed to the movement of these currencies against the pound Sterling. The Group's treasury function manages this risk at a Group level.

*Hedging forecast transactions.* The currency exposure arising from external and intercompany sales and purchases in currencies other than the functional currency is managed on behalf of RSUK by ECPLC. Derivatives used for this purpose are foreign exchange forward agreements and they are recognised off balance sheet until the maturity date. The fair value of these derivative financial instruments as at 31 March 2015 is a net liability of £600k. Other UK entities are not involved in the guaranteed rate system.

Other risks and uncertainties affecting the Company are summarised below and are described more fully in the Group's Annual Report, which does not form part of this report.

*Delivery of the Group strategy:* The Group's strategic objectives require close management and co-ordination to be delivered effectively. The risk is that the Group's resources and capabilities may be challenged by the scale and complexity of what is required. Particular risks include insufficient internal expertise, competition for key resources and unanticipated interdependencies or events disrupting programme delivery.

*Macroeconomic conditions:* Global economic conditions continue to be uncertain and vulnerable to major shocks such as a further banking crisis or sovereign debt defaults. A worsening of global economic conditions could result in a loss of business confidence exposing the Group's sales and profits.

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

*Increasing competition:* New and existing competitors close the service gap, offering improved service standards and value propositions. Changes to the competitive landscape challenge the growth assumptions made in the Group's strategy. The risk is an increase in supply-side options for the customer, with declining barriers to entry and reduced switching costs for customers.

*Customer acquisition:* The business does not attract sufficient numbers of new customers and is unable to develop new and existing customer behaviour to deliver the sustainable sales growth objectives. The risk is that order frequency and value does not change as new customers are attracted.

### Financial risk management

The Company is a subsidiary undertaking within the Group. Cash funds of the Group are managed at group level. Interest is received and paid by the Company on certain loans with other Group companies.

#### *Liquidity and interest rate risk*

The Company's arrangements with the Group, as described above, ensure it can access the funds needed to meet its liquidity requirements as cash can be obtained through Group funding. 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.

#### *Currency risk*

The Company's functional currency is Sterling and its financial statements are also presented in Sterling. Some transactions undertaken by the Company are denominated in currencies other than Sterling. The Company does not purchase derivatives to manage its exposure to currency risk on such transactions. Instead, the Group currency risks are managed at group level.

#### *Price risk*

The Company is exposed to price changes on products purchased from third parties. Supplier relationships are managed at Group level.

There are no other financial risks which could materially impact the financial performance of the Company.

**On behalf of the Board**

A handwritten signature in black ink, appearing to read 'Simon Boddie', with a horizontal line drawn underneath.

**S Boddie**

*Director*  
Birchington Road  
Weldon, Corby  
Northamptonshire  
NN17 9RS  
29 July 2015

## **Directors' Report**

The Directors present their annual report and the audited financial statements for the year ended 31 March 2015.

### **Dividends**

A dividend of £20.0m was paid in respect of the year ended 31 March 2015 (2014: £31.0m).

### **Directors and directors' interests**

The Directors who held office during the year and up to the date of signing the Financial Statements were as follows:

I Mason (resigned 31 March 2015)

S Boddie

L Ruth was appointed as a Director on 1 April 2015.

### **Directors and Officers liabilities**

In accordance with the Company's Articles of Association, the Company entered into a deed in 2007 to indemnify the Directors and Officers (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this report was approved) is available at the registered office of the Company. The Company purchased and maintained Directors' and Officers' liability insurance throughout 2014, which was renewed for 2015. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

### **Political contributions**

The Company made no political contributions during the year (2014:£ nil).

### **Environment**

We are committed to minimising the impact of our activities on the environment and to the continuous improvement of our environmental performance.

### **Employees**

The Company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the Company's performance. During the year, through the Company's internal intranet site, staff newsletters and monthly engagement meetings, employees were regularly provided with information relating to the performance of the Company and on other matters of concern to them as employees. Employee representatives are consulted regularly on a wide range of matters affecting their interests. Employees are encouraged to participate in the performance of the Company by the Group's Save as You Earn incentive schemes. Further details can be found in Note 7.

### **Employment of disabled persons**

The Company is committed to a policy of Equal Opportunities with regard to its employment practices and procedures. The Company remains supportive of the employment and advancement of disabled persons, and adopts the Group's Diversity & Inclusion Policy which includes its clear obligations towards employees or prospective employees to ensure that people with disabilities are afforded equal employment and development opportunities.

### **Disclosure of information to auditor**

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

### **Independent Auditor**

Following the resignation of KPMG plc as auditor of RS Components Ltd, PricewaterhouseCoopers LLP were appointed by the directors as auditor to the Company.

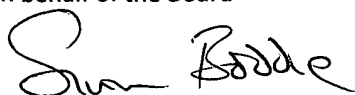
## **Directors' Report (continued)**

### **Other items to report**

The following items are included in the Strategic Report on pages 1 to 3

- Financial risk management
- Branches outside the UK
- Future developments

### **On behalf of the Board**

A handwritten signature in black ink, appearing to read 'S Boddie', with a horizontal line underneath.

**S Boddie**

*Director*

Birchington Road, Weldon, Corby  
Northamptonshire, NN17 9RS  
29 July 2015

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# **Independent auditors' report to the members of RS Components Limited**

## **Report on the financial statements**

### **Our opinion**

In our opinion, RS Components Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

RS Components Limited's financial statements comprise:

- the Balance sheet As at 31 March 2015;
- the Profit and loss account for the year then ended; and
- the Statement of Total Recognised Gains and Losses; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



## **Independent auditors' report to the members of RS Components Limited (continued)**

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

### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Christopher Richmond (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29 July 2015

## Profit and loss account

for the year ended 31 March 2015

	Note	2015 £m	2014 £m
<b>Turnover</b>	2	<b>624.7</b>	626.7
Cost of sales		<b>(437.0)</b>	(423.3)
<b>Gross profit</b>		<b>187.7</b>	203.4
Distribution costs		<b>(186.4)</b>	(188.2)
Administrative expenses		<b>(4.1)</b>	(3.4)
Other operating income		<b>34.1</b>	47.3
<b>Operating profit</b>		<b>31.3</b>	59.1
Reorganisation costs and pension credit	4	<b>19.9</b>	-
Interest payable and similar charges	8	<b>(0.5)</b>	(0.4)
<b>Profit on ordinary activities before taxation</b>	3	<b>50.7</b>	58.7
Tax on profit on ordinary activities	9	<b>(10.3)</b>	(11.5)
<b>Profit on ordinary activities after taxation</b>		<b>40.4</b>	47.2

All turnover and profit in the above statement is derived from continuing operations.

## Statement of total recognised gains and losses

for the year ended 31 March 2015

		2015 £m	2014 £m
Profit on ordinary activities after taxation		<b>40.4</b>	47.2
Actuarial loss recognised in the pension scheme	22	<b>(39.5)</b>	(24.1)
Deferred tax on items taken directly to equity		<b>7.8</b>	2.7
Net exchange gain/(loss) on overseas operations		<b>(0.8)</b>	(0.6)
<b>Total recognised gains and losses in the year</b>		<b>7.9</b>	25.2

A statement of movements on reserves is given in note 19.

The notes on pages 11 to 28 form part of these financial statements.

All profits shown above are stated at historical cost.

## Balance sheet

As at 31 March 2015

	Note	2015 £m	2014 £m
<b>Fixed assets</b>			
Intangible assets	10	0.1	0.2
Tangible assets	11	97.4	90.6
Investments	12	-	2.0
<b>Current assets</b>			
Stocks	13	135.0	116.5
Debtors	14	153.8	128.1
		<u>288.1</u>	<u>244.6</u>
<b>Creditors: amounts falling due within one year</b>	15	<b>(247.3)</b>	<b>(198.2)</b>
		<u>41.5</u>	<u>46.4</u>
<b>Net current assets</b>			
		<u>139.0</u>	<u>139.2</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due in more than one year</b>	16	<b>(2.2)</b>	<b>(1.8)</b>
<b>Provisions for liabilities</b>	17	<b>0.2</b>	<b>(0.7)</b>
<b>Retirement benefit obligation</b>	22	<b>(37.8)</b>	<b>(26.9)</b>
		<u>99.2</u>	<u>109.8</u>
<b>Net assets</b>			
		<u><u>99.2</u></u>	<u><u>109.8</u></u>
<b>Capital and reserves</b>			
Called-up share capital	18	0.1	0.1
Share premium account	19	0.1	0.1
Profit and loss account	19	99.0	109.6
		<u>99.2</u>	<u>109.8</u>
<b>Total Shareholders' funds</b>			
		<u><u>99.2</u></u>	<u><u>109.8</u></u>

The notes on pages 11 to 28 form part of these financial statements.

These financial statements were approved by the Board of Directors on 29 July 2015 and were signed on its behalf by:



**S Boddie**  
Director

Registered number: 1002091

## Notes to the financial statements

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable UK accounting standards and with the UK Companies Act 2006.

#### ***Going Concern***

The Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, the Directors continue to adopt the 'Going Concern' basis for the preparation of the financial statements.

#### ***Consolidation***

The Company is exempt by virtue s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

#### ***Cash flow statement***

Under FRS1 'Cash Flow Statements' (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a parent undertaking preparing consolidated financial statements which includes a group cash flow statement.

#### ***Translation of foreign currencies***

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at a forward contract rate.

The nature of branches trading in foreign currencies has been assessed, and the closing rate method of translation has been adopted for consolidation. This has resulted in foreign exchange differences being taken to reserves.

#### ***Turnover***

Turnover from the sales of goods is recognised in the profit and loss account on dispatch, when the significant risks and rewards of ownership have been transferred. Turnover represents the sale of goods and services and is stated net of sales taxes and volume discounts. Freight recharged to customers is included within turnover.

#### ***Operating expenses***

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

Distribution and marketing costs include all operating company expenses, including freight costs relating to goods sold, together with the Supply Chain and Facilities, Product Management, Media Publishing, Facilities, Information Systems and eCommerce and Electronics Process expenses.

Administrative expenses comprise Finance, Legal and Human Resources Process expenses.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### ***Other operating income***

All income received from Group companies relating to the recharge of Group-wide process costs has been disclosed as other operating income in both the year to 31 March 2015 and 2014.

#### ***Derivative financial instruments and hedging activities***

The currency exposure arising from external and intercompany sales and purchases in currencies other than the functional currency is managed on behalf of RSUK by ECPLC. Derivatives used for this purpose are foreign exchange forward agreements and they are recognised off balance sheet until the maturity date. The fair value of these derivative financial instruments as at 31 March 2015 is a net liability of £600k.

Other UK entities are not involved in the guaranteed rate system.

#### ***Pension costs***

In the United Kingdom the Company operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined before 1 April 2003. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the working lives with the Company of those employees who are in the scheme. Actuarial gain or losses which arise are taken to the statement of total recognised gains and losses. The scheme is managed by a corporate trustee, who is required to act in the best interest of the scheme's beneficiaries, and the funds are independent of the Company's finances. Every 3 years, the Trustee of the UK defined benefit scheme is required by legislation to review the level of funding in the pension scheme. In the event that there is a funding deficit, the Trustee and the Company will agree a recover plan to eliminate that deficit over as short a period as is reasonably affordable. The last formal valuation of the UK defined benefit scheme was at 31 March 2013.

For employees who joined after 1 April 2003 the Company provides a defined contribution pension scheme.

The disclosures required by FRS 17 'Retirement Benefits' can be found in note 22.

#### ***Short term employee benefits***

During the year the company has continued its policy of accruing for the short term benefits of extra work performed by an employee but not yet paid (for instance where a holiday allowance is permitted but not taken).

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Share based payments**

The Company has a number of schemes whereby its employees have options in the shares of the Company's parent, Electrocomponents plc. The largest of these are the Save As You Earn (SAYE) Scheme, the Long Term Incentive Plan (LTIP) and the Deferred Share Bonus Plan. Details of these are provided in note 7.

Equity-settled share-based schemes are measured at fair value at the date of grant. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The profit and loss charge is then adjusted to reflect expected and actual levels of vesting based on non market performance related criteria.

Cash-settled share options are measured at fair value at the balance sheet date. The Company recognises a liability at the balance sheet date based on these fair values, taking into account the estimated number of options that will actually vest and the relative completion of the vesting period. Changes in the value of this liability are recognised in the profit and loss for the year.

Administrative expenses and distribution and marketing costs include the cost of the share-based payment schemes. These costs are recharged to the Company by Electrocomponents plc.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The charge includes tax relating to the overseas branches.

#### **Depreciation**

No depreciation has been charged on freehold land. Other assets have been depreciated to residual value, on a straight-line basis at the following annual rates:

Trademarks	5%
Freehold and leasehold buildings	2%
Plant and machinery	10% - 20%
Computer systems	12.5% - 50%

#### **Interest payable**

Interest payable is accrued on external borrowings using the effective interest rate method.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. Impairment arises when the net book value is lower than the higher of net realisable cost and value in use.

#### **Other intangibles**

The cost of acquired intangible assets comprises their purchase cost together with any incidental costs of acquisition. Amortisation is calculated to write off the cost of the assets on a straight-line basis over their estimated useful life, with a maximum of 20 years.

#### **Government grants**

Government grants relate to expenditure on tangible fixed assets and are credited to the profit and loss account at the same rate as the depreciation on the asset to which the grants relate. The unamortised balance of capital grants is included within creditors.

## 1 Accounting policies (*continued*)

### **Trade debtors**

Trade and other receivables are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest rate method

### **Trade creditors**

Trade and other payables are initially measured on the basis of their fair value. They are not subsequently re-measured except in the case of impairment.

### **Provisions for liabilities and charges**

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Taxation'

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. In respect of goods for resale, cost includes a proportion of production overheads where appropriate.

### **Leases**

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Each finance leased asset is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation.

The rental charges on assets held under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

## 2 Turnover

An analysis of turnover by geographical destination has not been given, since, in the opinion of the directors, this would be prejudicial to the commercial interests of the Company.

All turnover relates to the company's principal activity.

RS Components Limited exports to around 160 countries and operates branch offices in South Africa and Taiwan.

## 3 Profit on ordinary activities before taxation

	2015 £m	2014 £m
<b><i>Profit on ordinary activities before taxation is stated after charging</i></b>		
Share option charge	1.5	1.5
Remuneration of auditors:		
Company audit fee	0.1	0.1
Depreciation of tangible fixed assets – assets owned by the company	23.9	21.1
Hire of plant and machinery – rentals payable under operating leases	6.5	5.1
Land and buildings – rentals payable under operating leases	4.5	4.7

## Notes to the financial statements *(continued)*

### 4 Reorganisation costs and pension credit

	2015 £m	2014 £m
Redundancy and associated costs	(0.5)	-
Pension credit	20.4	-
Tax impact of reorganisation costs	(4.0)	-
Total impact of reorganisation costs on profit after tax	<u>15.9</u>	<u>-</u>

During the year, the company undertook a restructuring activity in line with the Group's strategy. The costs incurred in relation to this activity included redundancy and associated consultancy costs. All costs were paid in the year.

In order to mitigate the increase in the UK pension deficit, the Company has made some changes to the benefits under the UK defined benefit scheme which resulted in a one-off non cash pension credit of £20.4 million being recognised in the period. Subsequently, the Company agreed with the Trustee a new deficit recovery plan with payments totalling £24.4 million over the next 7 years. Refer to note 22 for further details.

### 5 Remuneration of Directors

Directors' emoluments shown are those paid for by RS Components Limited. Services predominantly performed for Electrocomponents plc, the parent company, are paid for by that company.

	2015 £m	2014 £m
Directors' emoluments	-	0.2
Compensation for loss of office	-	0.1
<b>Total</b>	<u>-</u>	<u>0.3</u>

The number of directors who were awarded and exercised share options is shown below.

	2015 £m	2014 £m
Number of directors who were awarded share options	<u>-</u>	<u>1</u>



## Notes to the financial statements (continued)

### 5 Remuneration of Directors (continued)

During the year, no directors were remunerated through RS Components Limited. During the prior year, I. Lennard and P. Quested were the only directors to be remunerated by RS Components Limited for the period of their respective directorships only. Remuneration attributable to the current directors is not deemed to be in respect of their responsibilities as directors of RS Components Limited.

#### *Prior year payments*

During the prior year the highest paid director was paid £155,311, the company paid £21,217 into his pension scheme and he was awarded and 8,215 share options under the Group Long Term Incentive Plan (LTIP) and no share options under the Deferred Bonus Plan. Further details on the share plan can be found in note 7.

### 6 Staff numbers and costs

The monthly average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Management and administration	350	404
Distribution and selling	2,468	2,509
	<u>2,818</u>	<u>2,913</u>

The aggregate payroll costs of these persons was as follows:

	2015	2014
	£m	£m
Wages and salaries	75.3	74.5
Social security costs	6.6	6.6
Other pension costs	12.0	6.8
	<u>93.9</u>	<u>87.9</u>

### 7 Share based payments

Electrocomponents plc has a number of share-based incentive plans for employees. These comprise a Deferred Share Bonus Plan awarded to the Group's most senior executives, a Long Term Incentive Plan (LTIP) awarding shares to senior managers and a Save As You Earn (SAYE) scheme which is made available to all eligible employees.

The total charge included in the Profit and Loss account in the year was £1.5m (2014: £1.5m).

#### *Deferred Share Bonus plan*

Under Electrocomponents plc's Deferred Share Bonus Plan, awards of shares are made to plan participants to the value of 50% of their cash bonus. The award vests after two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. A cash payment equivalent to the dividends that would have accrued on the shares will be made to the participants on vesting.

During the year a total of 113,160 shares (2014: 10,457) were awarded to the scheme participants.

Deferred shares relating to bonus awards to senior managers for the year ended 31 March 2015 have been awarded since the year end.

## Notes to the financial statements (continued)

### 7 Share based payments (continued)

Details of shares awarded and not vested as at 31 March 2015 are set out below:

	Number of shares	Shares
2015	2014	
120,204	94,437	

#### Long Term Incentive Plan (LTIP)

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

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

	LTIP	LTIP	LTIP	LTIP
Fair value at grant date	2014	2013	2012	2011
	116.0p	108.0p	105.0p	144.0p
Assumptions used				
Share price	264p	256p	226p	274p
Exercise price	Nil	Nil	Nil	Nil
Expected volatility	31.9%	32.0%	32.1%	34.6%
Expected option life	3 years	3 years	3 years	3 years
Expected dividend yield	4.7%	5.1%	5.1%	7.3%
Risk free interest rate	0.9%	0.6%	0.2%	1.8%

Volatility was estimated based on the historical volatility of the shares over a three year period at the date of grant.

#### Save As You Earn Scheme (SAVE)

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

## Notes to the financial statements (continued)

### 7 Share based payments (continued)

The fair value calculated using a Black-Scholes model, and the assumptions used, are shown below:

	SAYE 3 yr 2014	SAYE 5 yr 2014	SAYE 3 yr 2013	SAYE 5 yr 2013	SAYE 3 yr 2012	SAYE 5 yr 2012	SAYE 5 yr 2011	SAYE 5 yr 2010
Fair value at grant date	47.7p	44.9p	52.0p	47.3p	40.2p	37.1p	45.0p	52.5p
Assumptions used								
Share price	264p	264p	256p	256p	201p	201p	269p	217p
Exercise price	227p	227p	214p	214p	164p	164p	235p	175p
Expected volatility	31.9%	34.1%	32.0%	36.4%	32.1%	36.1%	33.1%	32.9%
Expected option life	3 years	5 years	3 years	5 years	3 years	5 years	5 years	5 years
Expected dividend yield	4.7%	6.2%	5.0%	7.1%	5.5%	7.4%	7.8%	8.9%
Risk free interest rate	0.9%	0.6%	0.6%	0.4%	0.2%	0.4%	2.2%	4.3%

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

#### Number and weighted exercise price of share options

	Weighted average exercise price 2015	Number of options (000) 2015	Weighted average exercise price 2014	Number of options (000) 2014
<i>In thousands of options</i>				
Outstanding at the beginning of the year	119p	4,301	120p	4,634
Forfeited during the year	198p	(100)	182p	(100)
Lapsed during the year	111p	(870)	102p	(494)
Exercised during the year	137p	(291)	97p	(1,316)
Granted during the year	110p	2,923	124p	1,577
Outstanding at the end of the year	114p	5,963	78p	4,301
Exercisable at the end of the year	n/a	-	n/a	-

The options outstanding at 31 March 2015 have an exercise price in the range 0p to 235p and a weighted average contractual life of 3.0 years.

In thousands of options	2015	2014
Option prices		
£nil-£1.00	2,575	1,597
£1.00-£2.00	1,361	1,789
£2.00-£3.00	2,027	915
	5,963	4,301

## Notes to the financial statements *(continued)*

### 8 Interest payable and similar charges

	2015 £m	2014 £m
Interest payable on overdrafts	0.5	0.4

### 9 Taxation on profit on ordinary activities

	2015 £m	2014 £m
UK corporation tax	6.1	13.4
Adjustments in respect of prior years	(0.1)	0.1
Current tax on income for the year	6.0	13.5
Deferred taxation (note 17)	4.3	(2.0)
Tax Charge for the year	10.3	11.5

The tax for the period is lower (2014: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2015 of 21%. The differences are explained below:

	2015 £m	2014 £m
Expected tax charge at 21% (2014: 23%) on the profit for the year on ordinary activities	10.6	13.5
Capital allowances in excess of depreciation	0.8	0.7
Other short term timing differences	(5.3)	(0.9)
Adjustments in respect of prior years	(0.1)	0.1
Other permanent differences	0.0	0.1
	6.0	13.5

#### *Factors that may affect future tax charges:*

The 2014 Budget on 19 March 2014 announced that the UK corporation tax rate will reduce to 20% from 1 April 2015. The reduction to 20% was substantively enacted on 3 July 2012. This will apply to the company's future tax charge. Accordingly, both recognised and unrecognised deferred tax balances as at 31 March 2015 have been calculated at a rate of 20%.

## Notes to the financial statements (continued)

### 10 Intangible fixed assets

	Trademark £m
<b>Cost</b>	
At 1 April 2014	0.3
Additions	-
Disposals	-
	<hr/>
At 31 March 2015	0.3
	<hr/>
<b>Accumulated Amortisation</b>	
At 1 April 2014	0.1
Charge for the year	0.1
	<hr/>
At 31 March 2015	0.2
	<hr/>
<b>Net book value</b>	
At 31 March 2015	0.1
	<hr/>
At 31 March 2014	0.2
	<hr/>

### 11 Tangible assets

	Land and Buildings £m	Computer Systems £m	Plant and Machinery £m	Total £m
<b>Cost</b>				
At 1 April 2014	30.4	214.5	89.2	334.1
Additions	1.4	28.1	2.4	31.9
Disposals	-	(6.5)	-	(6.5)
At 31 March 2015	31.8	236.1	91.6	359.5
<b>Accumulated Depreciation</b>				
At 1 April 2014	16.2	154.9	72.4	243.5
Charge for the year	0.5	20.3	3.1	23.9
Disposals	-	(5.3)	-	(5.3)
At 31 March 2015	16.7	169.9	75.5	262.1
<b>Net book value</b>				
At 31 March 2015	15.1	66.2	16.1	97.4
At 31 March 2014	14.2	59.6	16.8	90.6

## Notes to the financial statements *(continued)*

### 11 Tangible assets *(continued)*

The net book value of land and buildings comprises:

	2015	2014
	£m	£m
Freehold land	1.4	1.0
Freehold buildings	13.1	12.7
Long leasehold	0.5	0.3
Short leasehold	0.1	0.2
Land and Buildings	<u>15.1</u>	<u>14.2</u>

### 12 Investments

The Company owned the following subsidiary undertakings (wholly owned, except where indicated), associate undertakings and joint ventures at 31 March 2015:

Company	Country of Incorporation	Activities
Electrocomponents UK Ltd (33% owned)	UK	Intermediate holding company
Electromail Ltd (0.11% owned)	UK	Not currently trading
Electroplan Ltd (0.1% owned)	UK	Not currently trading
Radiospares Ltd (50% owned)	UK	Not currently trading
Reading Windings Ltd (0.067% owned)	UK	Not currently trading
RS Componentes Electronicos Limitada (0.44% owned)	Chile	Mail order electronic, electrical and mechanical components

During the year, the company disposed of all of the shares held in RS Components KK, a company previously treated as an associated undertaking, incorporated in Japan, to a Group undertaking.

	Cost
	£m
At 1 April 2014	2.0
Disposals	<u>(2.0)</u>
At 31 March 2015	<u>-</u>

### 13 Stocks

	2015	2014
	£m	£m
Raw materials and consumables	47.5	45.7
Goods for resale	87.5	70.8
	<u>135.0</u>	<u>116.5</u>

### 14 Debtors

	2015	2014
	£m	£m
Trade debtors	62.5	64.1
Amounts owed by group undertakings	75.3	53.1
Other debtors	5.2	3.4
Prepayments and accrued income	10.8	7.5
	<u>153.8</u>	<u>128.1</u>

Included within other debtors is an amount receivable in greater than one year of £0.2m (2014: £1.7m).

## Notes to the financial statements *(continued)*

### 15 Creditors: amounts falling due within one year

	2015	2014
	£m	£m
Bank overdraft	104.8	59.5
Trade creditors	98.5	72.7
Amounts owed to group undertakings	11.2	27.1
Corporation tax	2.3	6.0
Other taxation and social security	2.3	1.8
Other creditors	0.5	0.8
Finance leases	-	0.7
Accruals and deferred income	27.6	29.5
Capital grants	0.1	0.1
	<b>247.3</b>	<b>198.2</b>

### 16 Creditors: amounts falling due after more than one year

	2015	2014
	£m	£m
Capital grants	1.5	1.6
Other creditors	0.7	0.2
	<b>2.2</b>	<b>1.8</b>
Amounts due between one and five years	1.2	0.7
Amounts due in more than 5 years	1.0	1.1
	<b>2.2</b>	<b>1.8</b>

The amount due after five years relates to the capital grant, which is being amortised at a rate of £0.1m per annum.

### 17 Provisions for liabilities

Deferred taxation	2015	2014
	£m	£m
Asset at beginning of year	(6.1)	(1.4)
Charge in the profit and loss account for the year	4.3	(2.0)
Amount taken directly to reserves	(7.8)	(2.7)
At close of year	<b>(9.6)</b>	<b>(6.1)</b>
	<b>2015</b>	<b>2014</b>
	£m	£m
Disclosed within Provisions	(0.2)	1.7
Disclosed within Retirement Benefit Obligation (Note 22)	(9.4)	(7.8)
Asset at 31 March	<b>(9.6)</b>	<b>(6.1)</b>

## Notes to the financial statements *(continued)*

### 17 Provisions for liabilities *(continued)*

The amounts provided for deferred taxation are set out below:

	2015	2014
	£m	£m
Difference between accumulated depreciation and amortisation and capital allowances	0.6	1.7
Other timing differences	(10.2)	(7.8)
Asset at 31 March	<u>(9.6)</u>	<u>(6.1)</u>

Deferred tax is provided at the standard rate of United Kingdom Corporation tax applicable at the balance sheet date unless there is legislation enacted or substantially enacted by the balance sheet date changing the rate.

### 18 Called up share capital

For both 2015 and 2014, the Company's share capital consisted of 50,000 shares of £1 each, all of which are authorised, allotted, called up and fully paid ordinary shares.

### 19 Reserves

	Share premium Account £m	Profit and loss Account £m
At 1 April 2014	0.1	109.6
Retained profit for the year	-	20.4
Share options	-	1.5
Actuarial loss on defined benefit pension scheme	-	(39.5)
Deferred tax on items taken directly to equity	-	7.8
Exchange differences	-	(0.8)
	<hr/>	<hr/>
At 31 March 2015	0.1	99.0
	<hr/>	<hr/>



## Notes to the financial statements *(continued)*

### 20 Reconciliation of movements in shareholders' funds

	2015 £m	2014 £m
Profit for the financial year	40.4	47.2
Dividends	(20.0)	(31.0)
Retained profit for the year	20.4	16.2
Share options	1.5	1.2
Actuarial (loss) on defined benefit pension scheme	(39.5)	(24.1)
Deferred tax on items taken directly to equity	7.8	2.7
Exchange differences	(0.8)	(0.6)
Net (decrease) to shareholders' funds	(10.6)	(4.6)
Total Shareholders' funds at 1 April	109.8	114.4
Total Shareholders' funds at 31 March	99.2	109.8

### 21 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Operating leases which expire:				
Within one year	2.7	0.2	2.7	0.2
Between two and five years	1.5	6.0	1.0	4.6
In more than five years	0.2	-	0.6	-
	4.4	6.2	4.3	4.8

### 22 Pension scheme

The last actuarial valuation of the Electrocomponents plc Group defined benefit pension scheme was carried out as at 31 March 2013 and has been updated to 31 March 2015 by a qualified independent actuary in accordance with FRS 17 'Retirement Benefits'. The deficit on the Electrocomponents plc Group defined benefit pension scheme is included within the Company's balance sheet as it is this company which employs the majority of the scheme members. As allowed by FRS 17, the deficit has not been split between Electrocomponents plc and RS Components Limited as it is not possible to do so, on a consistent and reasonable basis.

## Notes to the financial statements *(continued)*

### 22 Pension scheme *(continued)*

The principal assumptions used in the valuation of the liabilities of the scheme are:

	2015	2014
Discount rate	3.30%	4.50%
Rate of increase in pensionable salaries	Nil	2.55%
Rate of pension increases		
RPI inflation capped at 5% p.a	2.85%	3.20%
Rate of RPI price inflation	2.90%	3.30%

Based upon the demographics of scheme members, the weighted average life expectancy assumptions used to determine benefit obligations were:

	2015 UK	2014 UK
	Years	Years
Member aged 65 (current life expectancy) – male	22.4	22.3
Member aged 65 (current life expectancy) – female	24.1	24.0
Member aged 45 (life expectancy at aged 65) – male	23.8	23.7
Member aged 45 (life expectancy at aged 65) – female	26.3	26.2

The expected long term rates of return on the scheme's assets were:

	2015	2014
Equities	6.80%	7.20%
Corporate bonds	2.80%	4.00%
Diversified growth funds	6.10%	7.20%
Matching plus funds	1.20%	2.50%
Credit funds	5.50%	4.50%
Government bonds	1.70%	2.90%
Cash	0.00%	0.00%

The expected return for each asset class is based on a combination of historical performance analysis, the forward looking views of the financial markets (as indicated by available yields) and the views of investment organisations.

The valuation of the assets of the scheme at 31 March was:

	2015 £m	2014 £m
Equities	108.2	98.7
Corporate Bonds	16.2	15.8
Government Bonds	49.8	53.1
Diversified growth funds	184.8	164.1
Liquidity funds	12.0	10.6
Credit funds	13.9	12.3
Matching plus funds	62.5	29.3
Cash	1.2	1.0
Total market value of assets	448.6	384.9

## Notes to the financial statements (continued)

The valuation of the scheme at 31 March was:

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Total market value of assets	448.6	384.9	384.3	346.8	322.8
Present value of scheme liabilities	(495.8)	(418.6)	(396.7)	(335.6)	(297.9)
Deficit (surplus) in the scheme before deferred tax	(47.2)	(33.7)	(12.4)	10.6	24.9
Deferred tax	9.4	6.8	2.8	(2.5)	(6.5)
(Deficit) surplus recognised in the financial statements	(37.8)	(26.9)	(9.6)	8.1	18.4

The movement in present value of the defined benefit obligations in the current year was:

	2015	2014
	£m	£m
Present value of the defined benefit obligation at the beginning of the year	418.6	396.7
Movement in year:		
Current service cost	3.8	6.1
Past service cost	(20.4)	-
Interest cost	18.7	17.3
Premiums paid	(0.1)	(0.3)
Actuarial loss	86.6	8.9
Benefits paid	(11.4)	(10.1)
Present value of the defined benefit obligation at the end of the year	495.8	418.6

Amounts arising in respect of defined benefit obligations relate entirely to wholly funded schemes.

The movement in present value of the fair value of scheme assets in the current year was:

	2015	2014
	£m	£m
Present value of the fair value of scheme assets at the beginning of the year	384.9	384.3
Movement in year:		
Expected return on plan assets	22.9	21.4
Actuarial gain (loss) on plan assets	47.1	(15.2)
Employer contributions	5.2	4.8
Benefits paid	(11.4)	(10.1)
Premiums paid	(0.1)	(0.3)
Present value of the fair value of the scheme assets at the end of the year	448.6	384.9

The rules of the UK Electrocomponents Group Pension scheme give the Trustee powers to wind up the scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. The Trustee confirmed, on 23 April 2015, that it has no current intention of exercising its power to wind up the scheme.

## Notes to the financial statements (continued)

### 22 Pension scheme (continued)

The profit and loss credit relating to RS Components Limited was £20.8m (2014: charge of £2.0m). The credit in relation to past service cost is recognised in Reorganisation Costs and Pension Credit (note 4). The remaining charge is recognised in Distribution and Marketing expenses.

	2015	2014
	£m	£m
Current service cost	3.8	6.1
Past service cost	(20.4)	-
Interest cost	18.7	17.3
Expected return on plan assets	(22.9)	(21.4)
Total profit and loss (credit) charge	(20.8)	2.0

The amount included within the statement of recognised gains and losses was:

	2015	2014	2013	2012	2011
Actual less expected return on plan assets	47.1	(15.2)	22.2	6.6	3.6
As a % of scheme assets	10.5%	(3.9)%	5.8%	1.9%	1.1%
Experience gain (loss) on plan liabilities	(86.6)	(8.9)	(48.9)	(25.8)	27.4
As a % of scheme liabilities	(17.5)%	(2.1)%	(12.3)%	(7.7)%	9.2%
Actuarial (loss) gain recognised in the statement of total recognised gains and losses	(39.5)	(24.1)	(26.7)	(19.2)	31.0
As a % of scheme liabilities	(8.0)%	(5.8)%	(6.7)%	(5.7)%	10.4%

The Group expects to pay £6.4m to its UK defined benefit pension plan in 2015/2016

#### Sensitivity to key assumptions

			Minus 0.1% discount rate	Plus 0.1% discount rate	Minus 0.1% inflation rate	Plus 0.1% inflation rate	Mortality sensitivity – 1 year age rating
Analysis of net balance sheet position	2014	2015					
Fair value of plan assets	384.9	448.6	448.6	448.6	448.6	448.6	448.6
Benefit obligation	418.6	495.8	507.1	484.8	486.4	505.4	511.0
Deficit/surplus	33.7	47.2	58.5	36.2	37.8	56.8	62.4
Analysis of projected pension cost (excluding curtailment)	Actual 2015	Base 2016					
Current service cost	3.8	5.0	5.1	4.8	5.0	5.0	5.1
Interest cost	18.7	16.3	16.1	16.4	16.0	16.6	16.8
Expected return on plan assets	(22.9)	(21.4)	(21.4)	(21.4)	(21.4)	(21.4)	(21.4)
Total pension cost	(0.4)	(0.1)	(0.2)	(0.2)	(0.4)	0.2	0.5

#### Defined Contribution schemes

During the year the company contributed £5.2m (2014: £5.3m) to defined contribution schemes.

## Notes to the financial statements *(continued)*

### 23 Capital commitments

	2015 £m	2014 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these financial statements	-	-

### 24 Related party transactions

Under FRS8 'Related Party Transactions', the Company is exempt from the requirement to disclose related party transactions with Electrocomponents plc and associated undertakings on the grounds that it is a wholly owned subsidiary undertaking of Electrocomponents plc.

### 25 Auditors' remuneration

The auditors' remuneration is borne by the ultimate parent company. The fee assigned to the 2015 audit is £0.1m (2014: £0.1m). Full disclosure of the amounts of remuneration given to the company's auditors from the supply of non-audit services to the company is included on a group-wide basis in the group financial statements of Electrocomponents plc. This can be obtained from the address given in note 27.

### 26 Contingent liabilities

The company had no contingent liabilities in either the current or previous year.

### 27 Parent and ultimate holding company

The controlling party, and immediate and ultimate holding company is Electrocomponents plc, a company registered in England and Wales.

Copies of the financial statements of the ultimate holding company, Electrocomponents plc, may be obtained from the International Management Centre, 8050 Oxford Business Park North, Oxford OX4 2HW.