# IESA LIMITED

## ANNUAL REPORT AND ACCOUNTS

## FOR THE PERIOD 31 MARCH 2018 TO 31 MARCH 2019



Registered Number: 04188491

## Strategic Report

The Directors present their strategic report for the period 31 March 2018 to 31 March 2019.

**Principal activity, business review and key performance indicators**
The principal activity of IESA Limited (the Company) is outsourced procurement and stores management. On 31 May 2018 the Company became part of the Electrocomponents Group.

The Company has had another successful year with focus on new clients and improved performance of existing clients. Turnover increased by 21% to £25,348,000 (2018: £20,890,000) due to the rollout of client wins in 2018. This led to profit before taxation increasing by 40% to £5,697,000 (2018: £4,081,000).

The Company's net assets increased to £12,236,000 (30 March 2018: £6,861,000) due to the increased profitability in the year.

**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 whilst also looking to develop its services in new sectors in continental Europe and beyond. This development will be through both existing and new services, with a continued focus on cost efficiency and the use of a strong IT platform 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.

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

***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, further improvements in the year include the adoption of an online training system.

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

**Financial risk management**
As a result of the Company becoming part of the Electrocomponents Group on the 31 May 2018, its invoice finance facility was paid off in full during the year.

***Liquidity and interest rate risk:*** The Company has arrangements with the Electrocomponents Group that enable it to access funds when needed to meet its liquidity requirements. Interest receivable and payable on loans with other Electrocomponents Group companies is calculated based on market rates of interest. The Electrocomponents 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), derivative instruments 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 was managed by purchasing forward all major currencies to ensure the exchange rate applied to purchases matches against client receipts. This risk is now managed through the Electrocomponents Group.

On behalf of the Board:

A B Perry
*Director*
20 December 2019

## Directors' Report

The Directors present their report and the audited accounts for the period 31 March 2018 to 31 March 2019.

**Directors**

The Directors who held office during the period were as follows:
D C A Bowring
D J Egan (appointed 31 May 2018)
V E Gough (appointed 31 May 2018)
I P Haslegrave (appointed 31 May 2018)
S I Hilton (resigned 31 May 2018)
A B Perry
J M Robson (resigned 31 May 2018)
G G Timms (resigned 31 May 2019)

**Directors' and Officers' liability insurance**

In accordance with the Company's Articles of Association, the Company purchased and maintained Directors' and Officers' liability insurance. The indemnity was in force throughout the period 31 March 2018 to 31 March 2019 and is currently in force.

**Dividends**

The Directors propose a final dividend of £4,000,000 for the period ended 31 March 2019 (2018: £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. IESA'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.

**Employees**

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

**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.

**Other information to report**

The following information is set out on the pages below:

- Financial results – page 6
- Financial instruments and financial risk management – pages 1 and 10
- Likely future developments – page 1

**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.

**Post balance sheet event**

In May 2019 British Steel Limited sought funding from the UK government to underwrite it operations until the UK's anticipated exit from the EU. On 22 May 2019 it was announced that the government had failed to reach an agreement with British Steel's owners and lenders and so declined to invest any further funds. British Steel was declared insolvent and placed into compulsory liquidation with immediate effect. The Company has continued to trade with British Steel and is being paid for all transactions entered into after British Steel entered compulsory liquidation on 22 May 2019.

However, the Company has a remaining exposure of £4,498,000 related to 31 March 2019 balances with British Steel as at the date of signing these accounts. This has not been provided for in these accounts. See note 15 for more details.

**Directors' report (continued)**

**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:

A B Perry
*Director*
20 December 2019

## Independent auditors' report to the members of IESA Limited

**Report on the audit of the accounts**

**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 2019 and of its profit for the period 31 March 2018 to 31 March 2019 (the "period");
- 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 2019; the statement of comprehensive income and the statement of changes in equity for the period 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**

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

**Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 period ended 31 March 2019 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.

**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.

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

***Use of this report***

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

**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
20 December 2019

## Statement of Comprehensive Income
### for the period 31 March 2018 to 31 March 2019

| | Note | 31 March 2018 to 31 March 2019 £000 | Year ended 30 March 2018 £000 |
|---|---|---|---|
| **Turnover** | 5 | **25,348** | 20,890 |
| Cost of sales | | **(7,247)** | (6,128) |
| **Gross profit** | | **18,101** | 14,762 |
| Administrative expenses | | **(12,796)** | (10,267) |
| Other operating income | | **844** | 112 |
| **Operating profit** | 6 | **6,149** | 4,607 |
| Interest receivable | | **3** | - |
| Interest payable and similar charges | 11 | **(455)** | (526) |
| **Profit before taxation** | | **5,697** | 4,081 |
| Tax on profit | 12 | **(387)** | (71) |
| **Profit and total comprehensive income for the period** | | **5,310** | 4,010 |

The notes on pages 9 to 15 are an integral part of these accounts.

## Balance Sheet
## as at 31 March 2019

| | Note | 31 March 2019 | 30 March 2018 Restated (note 25) |
|---|---|---|---|
| | | **£000** | £000 |
| **Fixed assets** | | | |
| Intangible assets | 13 | **1,922** | 1,037 |
| Tangible assets | 14 | **1,412** | 868 |
| **Total fixed assets** | | **3,334** | 1,905 |
| | | | |
| **Current assets** | | | |
| Debtors: amounts falling due after more than one year | 15 | **381** | 1,027 |
| Debtors: amounts falling due within one year | 15 | **88,413** | 81,502 |
| Cash at bank and in hand | | **15,329** | 86 |
| **Total current assets** | | **104,123** | 82,615 |
| | | | |
| **Creditors**: amounts falling due within one year | 16 | **(94,838)** | (77,616) |
| **Net current assets** | | **9,285** | 4,999 |
| **Total assets less current liabilities** | | **12,619** | 6,904 |
| | | | |
| Creditors: amounts falling due after more than one year | 17 | **(13)** | - |
| Provisions for liabilities and charges | 18 | **(370)** | (43) |
| **Net assets** | | **12,236** | 6,861 |
| | | | |
| **Capital and reserves** | | | |
| Share capital | 21 | **909** | 909 |
| Profit and loss account | | **11,327** | 5,952 |
| **Total equity** | | **12,236** | 6,861 |

The notes on pages 9 to 15 are an integral part of these accounts.

These accounts on pages 6 to 15 were approved by the Board of Directors on 20 December 2019 and were signed on its behalf by:

**A B Perry**
*Director*
Company number: 04188491

**Statement of changes in equity**
**for the period 31 March 2018 to 31 March 2019**

| | Share capital £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|
| **At 31 March 2017** | 909 | 1,942 | 2,851 |
| Profit and total comprehensive income for the year | - | 4,010 | 4,010 |
| **At 30 March 2018** | 909 | 5,952 | 6,861 |
| Profit and total comprehensive income for the period | - | 5,310 | 5,310 |
| Equity-settled share-based payments | - | 65 | 65 |
| **At 31 March 2019** | **909** | **11,327** | **12,236** |

The notes on pages 9 to 15 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 unless otherwise stated (see note 25).

***(a) Basis of preparation***

These accounts are prepared on a going concern basis, under the historical cost convention.

*Exemptions for qualifying entities under FRS 102*

The Company is included in Electrocomponents plc's consolidated accounts which are publicly available (Note 24) 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 cost of sales.

***(d) Post-employment benefits***

The Company operates a defined contribution plan for its employees. Contributions are expensed as they fall due.

***(e) 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.

***(f) Interest receivable and payable***

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

**Notes to the accounts (continued)**

**3. Summary of significant accounting policies (continued)**

***(g) 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.

***(h) 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%.

***(i) 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 property | over the lease term |
| Fixtures and fittings | 25% |
| Computer equipment | 33% |

***(j) 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.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

***(k) Basic financial instruments***

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

***(l) 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.

***(m) Provisions for liabilities and charges***

Provisions are recognised when the Company has a present obligation as a result of a past event and a reasonable estimate can be made of a probable adverse outcome.

**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. Significant estimates and assumptions made related to the following:

***(a) Intangible and tangible fixed assets***

The Company estimates the net realisable value of intangible and tangible fixed assets by estimating their useful economic lives, residual values and the effect of any impairments.

***(b) Debtors***

The Company makes risk assessed judgements when estimating impairments of trade debtors, other receivables (including prepayments and accrued income) and intercompany debt based on overdue status, country 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**

Operating profit is stated after charging / (crediting):

| | 31 March 2018 to 31 March 2019 £000 | Year ended 30 March 2018 £000 |
|---|---|---|
| Depreciation of tangible assets | **367** | 307 |
| Amortisation of intangible assets | **7** | - |
| (Gain) / loss on foreign exchange | **(241)** | 32 |
| Operating lease rentals payable | **332** | 272 |

The fees payable to the Company's auditors for the audit of the accounts were £116,000 (2018: borne by Aghoco 1079 Limited, an intermediate parent company, and not recharged to the Company).

**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:

| | 31 March 2018 to 31 March 2019 £000 | Year ended 30 March 2018 £000 |
|---|---|---|
| Directors' remuneration | **664** | 853 |
| Company contributions to directors' defined contribution pension scheme | **64** | 62 |
| | **728** | 915 |

During the year retirement benefits accrued to 5 directors (2018: 5) in respect of the defined contribution pension scheme and 2 directors (2018: none) became entitled to receive shares under the Electrocomponents Group Long Term Incentive Plan.

The highest paid director received remuneration of £302,000 (2018: £288,000). The Company's contributions paid to the defined contribution pension scheme in respect of the highest paid director were £29,000 (2018: £26,000).

**8. Employees**

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

| | 31 March 2018 to 31 March 2019 | Year ended 30 March 2018 |
|---|---|---|
| Management and administration | **188** | 158 |
| Site operational staff | **256** | 220 |
| Directors | **4** | 5 |
| | **448** | 383 |

Employee costs charged to profit and loss were as follows:

| | 31 March 2018 to 31 March 2019 £000 | Year ended 30 March 2018 £000 |
|---|---|---|
| Wages and salaries | **13,888** | 11,212 |
| Social security costs | **1,320** | 1,037 |
| Share-based payments – equity-settled | **65** | - |
| Share-based payments – cash-settled | **13** | - |
| Defined contribution retirement benefit costs | **441** | 253 |
| | **15,727** | 12,502 |
| Termination benefits | **508** | - |
| | **16,235** | 12,502 |

Notes to the accounts (continued)

**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 £441,000 (2018: £253,000). Included in creditors is £51,000 (2018: £32,000) in relation to outstanding contributions.

**10. Share-based payments**

The Electrocomponents Group operates a number of share-based payment schemes for employees and a number of the Company's employees participate in the Group's Long Term Incentive Plan (LTIP) 2016. 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.

Under the LTIP 2016, awards of shares in Electrocomponents plc are made to plan participants subject to service conditions. Awards are also 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 adjusted earnings per share (EPS) over the vesting period and Group return on capital employed. Awards may include a further award (a multiplier) that vests if the Group achieves exceptional adjusted EPS performance over the vesting period. At the vesting date, the share award will either vest, in full or in part, or expire depending on the outcome of the performance conditions. All awards have nil exercise price and receive accrued dividends on settlement.

**11. Interest payable and similar charges**

| | 31 March 2018 to 31 March 2019 £000 | Year ended 30 March 2018 £000 |
|---|---|---|
| Interest payable to the ultimate parent company | **179** | - |
| Interest payable to other Electrocomponents Group companies | **124** | - |
| Invoice finance charges | **152** | 526 |
| | **455** | 526 |

**12. Tax on profit**

| | 31 March 2018 to 31 March 2019 £000 | Year ended 30 March 2018 £000 |
|---|---|---|
| UK corporation tax | **379** | 34 |
| UK deferred tax (Note 19) | **8** | 37 |
| Tax on profit | **387** | 71 |

The tax expense for the period can be reconciled to the profit and loss account as follows:

| | 31 March 2018 to 31 March 2019 £000 | Year ended 30 March 2018 £000 |
|---|---|---|
| Profit before taxation | **5,697** | 4,081 |
| Expected tax charge at 19% (2018: 19%) | **1,082** | 775 |
| Effects of: | | |
| Tax rate adjustment | **-** | 9 |
| Expenses not deductible for tax purposes | **24** | 35 |
| Adjustments in respect of prior periods – current tax | **(5)** | 3 |
| Adjustments in respect of prior periods – deferred tax | **5** | - |
| Group relief | **(719)** | (751) |
| | **387** | 71 |

**Factors that may affect future tax**

In October 2015 and September 2016 the UK government enacted changes in the UK corporation tax rate which change it from 19% to 17% effective from 1 April 2020.

Notes to the accounts (continued)

## 13. Intangible assets

| | Software £000 |
|---|---|
| ***Cost*** | |
| At 31 March 2018 (restated – see note 25) | 1,154 |
| Additions | 892 |
| At 31 March 2019 | 2,046 |
| ***Amortisation*** | |
| At 31 March 2018 (restated – see note 25) | 117 |
| Charged in the period | 7 |
| At 31 March 2019 | 124 |
| ***Net book value*** | |
| **At 31 March 2019** | **1,922** |
| At 30 March 2018 (restated – see note 25) | 1,037 |

## 14. Tangible assets

| | Short leasehold | Fixtures and fittings £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 31 March 2018 (restated – see note 25) | 427 | 557 | 1,969 | 2,953 |
| Additions | 158 | 205 | 565 | 928 |
| Disposals | - | (205) | (1) | (206) |
| Reclassifications | - | (14) | 14 | - |
| At 31 March 2019 | 585 | 543 | 2,547 | 3,675 |
| ***Depreciation*** | | | | |
| At 31 March 2018 (restated – see note 25) | 40 | 296 | 1,749 | 2,085 |
| Charged in the period | 99 | 124 | 144 | 367 |
| Disposals | - | (188) | (1) | (189) |
| At 31 March 2019 | 139 | 232 | 1,892 | 2,263 |
| ***Net book value*** | | | | |
| **At 31 March 2019** | **446** | **311** | **655** | **1,412** |
| At 30 March 2018 (restated – see note 25) | 387 | 261 | 220 | 868 |

## 15. Debtors

| | **2019 £000** | 2018 £000 |
|---|---|---|
| Amounts falling due after more than one year: | | |
| Prepayments | **381** | 1,027 |
| | **381** | 1,027 |
| Amounts falling due within one year: | | |
| Trade debtors | **53,089** | 47,370 |
| Amounts owed by other Electrocomponents Group companies | **12,752** | 13,538 |
| Other debtors | **44** | 36 |
| Corporation tax | **712** | - |
| Prepayments and accrued income | **21,816** | 20,558 |
| | **88,413** | 81,502 |

At 31 March 2019 the largest trade debtor was £16,722,000 owed by British Steel Limited, of which £13,057,000 has been received since the year end and the balance has been recovered by the Company taking title of inventory. Also included in prepayments and accrued income was £2,210,000 of accrued income for goods delivered to British Steel not invoiced. On 22 May 2019 British Steel Limited entered compulsory liquidation and since then the Company has sold to British Steel, and been paid for, some of this inventory. The Company's remaining exposure related to 31 March 2019 balances with British Steel as at the date of signing these accounts is £4,498,000 (net of VAT). This has not been provided for in these accounts. The Company has an additional remaining exposure of £5,817,000 at the date of signing these accounts related to transactions from 1 April 2019 to 22 May 2019, leading to £10,315,000 being provided in the year ending 31 March 2020.

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

## Notes to the accounts (continued)

### 16. Creditors: amounts falling due within one year

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Bank loans and overdrafts | - | 19,718 |
| Trade creditors | 46,048 | 45,831 |
| Amounts owed to the ultimate parent company | 17,740 | - |
| Amounts owed to an intermediate parent company | 8,083 | - |
| Amounts owed to other Electrocomponents Group companies | 15,106 | - |
| Corporation tax | - | 591 |
| Other taxation and social security | 1,358 | 1,726 |
| Other creditors | 58 | 39 |
| Accruals and deferred income | 6,445 | 9,711 |
| | 94,838 | 77,616 |

Amounts owed to the ultimate parent company bear interest based on LIBOR plus a margin of 0.8% and are repayable on demand. Amounts owed to the intermediate parent company bear interest based on LIBOR plus a margin of 1.0% and are repayable on 30 September 2019 and then rolled to 31 March 2020. Amounts owed to other Electrocomponents Group companies are unsecured, interest free and repayable on demand.

### 17. Creditors: amounts falling due after more than one year

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Other creditors | 13 | - |
| | 13 | - |

### 18. Provisions for liabilities and charges

| | Reorganisation provision £000 | Deferred tax (Note 19) £000 | Total £000 |
|---|---|---|---|
| At 31 March 2018 | - | 43 | 43 |
| Charge for the period | 319 | 8 | 327 |
| At 31 March 2019 | 319 | 51 | 370 |

The reorganisation provision is expected to be spent during the year ending 31 March 2020.

### 19. Deferred tax

Deferred tax liabilities are attributable to the following:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Fixed asset timing differences | 60 | 43 |
| Other timing differences | (9) | - |
| | 51 | 43 |

### 20. Operating lease commitments

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

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Within one year | 299 | 214 |
| From one to five years | 899 | 920 |
| After five years | 692 | 874 |
| | 1,890 | 2,008 |

**Notes to the accounts (continued)**

**21. Share capital**

| | Number | £000 |
|---|---|---|
| Issued and fully paid ordinary shares of £1.00 each: | | |
| At 31 March 2018 and 31 March 2019 | **908,995** | **909** |

**22. Dividends**

No dividends were paid during the period (2018: £nil).

The Directors recommend the payment of a final ordinary dividend of £4,000,000 for the period (2018: £nil).

**23. Related party transactions**

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

**24. 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.

**25. Restatement**

In order to better align its accounting policies with those of the Electrocomponents Group and to more accurately reflect the underlying nature of the assets, the Company has reclassified software from tangible assets to intangible assets. This increased intangible assets and decreased tangible assets by £1,922,000 as at 31 March 2019 (30 March 2018 £1,037,000, 30 March 2017 £51,000).