

RS COMPONENTS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2024

Strategic Report

The Directors present their Strategic Report for the year ended 31 March 2024.

Principal activity, business review and key performance indicators

The principal activity of RS Components Limited (the Company) is a distributor of product and service solutions, providing small volumes of suppliers' products to satisfy industrial customers' maintenance, repair and operations (MRO) demands. The Company is part of the RS Group (the Group) and is comprised of operations in the UK, with branch offices in South Africa and China (Taiwan), as well as the majority of the Group's central processes.

Turnover decreased by 5% to £1,111.0 million (2023: £1,172.1 million) and profit before taxation decreased by 33% to £154.8 million (2023: £231.5 million), reflecting market weakness and less demand from mid-sized customers as well as the electronics downcycle and low levels of industrial production. Gross margin in the prior year benefited partly from a lagging effect in cost of sales due to low inventory turn and a more constrained electronics supply chain for most of 2023 providing pricing opportunities, which did not continue in 2024. Distribution and marketing expenses and administrative expenses were impacted by above average pay increases for most non-management employees in recognition of the greater impact of inflationary pressures and higher utility costs.

The Company's net assets at 31 March 2024 were £297.1 million (2023: £307.6 million) with an increase in inventory provisions due to the continued sales slowdown pushing inventory into excess, particularly of electronics products where minimum order quantities are high and single-board computing products which are slow moving.

In 2024 the Company's employee numbers were 3,302 (2023: 3,161).

Section 172(1) statement

Under section 172(1) of the Companies Act 2006 (section 172), the Directors are required to act in a way that they consider, in all good faith, would most likely promote the success of the Company and all its stakeholders. Throughout the year the Company has strived to continue to demonstrate how, as a considerate, sustainable, responsible and solutions-driven business, the Directors and senior management have achieved this.

The Company is the largest UK subsidiary in the Group representing c. 23% of the Group's external revenue, operating the majority of the Group's central processes and the Company Directors are all senior managers of the Group. As a result of this and the Group's governance structure, from the perspective of the Directors, the matters that the Directors are responsible for considering under section 172 have been considered to an appropriate extent by the Group Board in relation to both the Group and the Company. The Directors have also considered relevant matters where appropriate which are summarised below. To gain a more detailed understanding of the development, performance and position of the Company under section 172, an explanation of how the Group Board has considered these matters is set out on pages 71, 80 to 82 of the 2024 RS Group plc Annual Report and Accounts.

The Company continues to prioritise the health, safety and wellbeing of its employees, building a high-performance, purpose-led culture and investing in its people to attract and retain the best talent. It invests in skills, education and formal training programmes through the Group's My Academy platform and provides career development and learning opportunities through the Group's Future Shapers and other programmes. Also, detailed information of how the Directors have supported the Company's employees is included in employee engagement on page 3 as well as in the 2024 RS Group plc Annual Report and Accounts on pages 6, 52 to 57.

It is important to foster the Company's business relationships with its customers, suppliers and regulators. The Company is a trusted problem solver providing product and service solutions enabling its customers to achieve their goals sustainably. It engages with its suppliers and provides insight to expand revenue and develop new products while raising environmental and ethical standards across the supply chain. It works in its communities to build skills of young engineers through DesignSpark and the Group's Grass Roots and OKdo education programmes, fostering sustainable innovation to inspire a more inclusive, diverse and sustainable world.

The Directors consider all the Company's stakeholders and the long-term consequences of decisions taken when building on the work required to strengthen its strategic plans (see future developments on page 2), when ensuring it has robust data-driven insight to support key decisions and when assessing the level of dividends to pay.

Future developments

The Company plans to continue implementing the Group's strategy as outlined in the 2024 RS Group plc Annual Report and Accounts, focusing on:

- Customers
- Products
- Solutions
- Experience
- Operational excellence

The Group's strategy is described in more detail in the 2024 RS Group plc Annual Report and Accounts.

Strategic Report (continued)

Principal risks and uncertainties

Principal risks and uncertainties affecting the Company are summarised below. As part of the Group, the Company has undertaken actions to manage each of the below risks and the Company is also exposed to other risks and uncertainties that affect the Group as a whole, details of which are more fully described on pages 34 to 37 of the 2024 RS Group plc Annual Report and Accounts.

Market disruption: Unexpected changes in market buying behaviours could result in lower than forecast financial results. As part of the Group, the Company is continually assessing customer needs, improving the online user experience and seeking ways to mitigate cyclicality.

Geopolitical environment: Future global destabilisation could impact on international business activities such as increasing operating costs, additional trade sanctions and supply chain delays, which the Company monitors continually.

Climate change: The Company may not adequately manage the potential impacts on the business due to climate change effects. This could be either: the physical risks of more extreme weather conditions impacting employee health and wellbeing, supply chain channels and customer service; or the transition risks associated with the consequences of the migration to a low-carbon industrial sector. The Company, as part of the Group, has undertaken detailed climate scenario analysis and has strategies and controls in place to mitigate physical climate-related risks on operations and wider supply chain.

Non-financial and sustainability information statement

The climate-related risks and opportunities of the Group, and its arrangements for managing them (including the related time periods and potential impacts on the Group's business model and strategy), are discussed further on pages 36 and 32 to 37 of the 2024 RS Group plc Annual Report and Accounts, which does not form part of this report.

As a result of the above, the Directors do not consider that it is necessary for an understanding of the Company's business to include here a description of the actual or potential impacts on the business model and strategy or their resilience under different climate-related scenarios, or the targets or key performance indicators used.

Financial risk management

Foreign exchange risk: The Company's sales in Taiwan and South Africa are in the currencies of those countries; the UK has an export business, of which a small proportion of turnover is denominated in euros and US dollars; and the UK also sells to other Group companies in foreign currencies. The Company also makes purchases in foreign currencies. The Company is therefore exposed to the movement of these currencies against sterling on its foreign currency-denominated sales and purchases. The Group's treasury function manages this risk at a Group level and on behalf of the Company, further details of which are available in the 2024 RS Group plc Annual Report and Accounts. Derivatives used for this purpose are foreign exchange forward contracts which are accounted for as cash flow hedges and recognised on the balance sheet at fair value.

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

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

On behalf of the Board:



I Rybakova
Director
25 July 2024

Directors' Report

The Directors present their Report and the audited accounts for the year ended 31 March 2024.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the accounts were:

E J Pointon

P Malpas

C Underwood (appointed 3 May 2023)

V E Gough (resigned 27 March 2024)

I Rybakova (appointed 18 July 2024)

Directors' and Officers' liability insurance

In accordance with the Company's Articles of Association, the ultimate parent company (Note 28) entered into a new deed in 2023 to indemnify the Directors (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this report was approved) is available at the registered office of the Company. The ultimate parent company purchased and maintained Directors' and Officers' liability insurance throughout 2023, which was renewed for 2024, for each of its Directors and each of the Directors of its subsidiary companies. It remains in force at the date of approval of this Directors' Report. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

Dividends

During the year, the Company paid a final dividend of £130.0 million in respect of the year ended 31 March 2023 (2023: £130.0 million in respect of the year ended 31 March 2022). The Directors propose a final dividend of £120.0 million for the year ended 31 March 2024 (2023: £130.0 million).

Employee engagement

The Company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the Company's performance. Through the Company's intranet site and other tools such as Microsoft Viva Engage, staff newsletters and regular meetings, employees are 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 Savings-Related Share Option Scheme, further details can be found in Note 9.

Building a purpose-led, high-performance culture needs insight and solid foundations. Listening to employees is critical to understand progress and areas to improve. The Company, as part of the Group, regularly runs employee engagement surveys, known as My Voice. An employee engagement session was hosted in the UK in October 2023 by two of the Group's Board non-executive directors and included the Company's employees. The Group's Board received in-depth feedback on the session and the Company Directors used this information to understand issues and themes raised by employees.

Employment of disabled persons

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

Business relationships

From the perspective of the Directors, as a result of the Group governance structure, the Group Board has taken the lead in carrying out the duties of a Board in respect of the Company's other stakeholders. The Directors have also considered relevant matters where appropriate. An explanation of how the Group Board has had regard to the need to foster the Company's business relationships with its suppliers, clients and others and the effect of that regard, including on the principal decisions taken by the Company during the year, is considered in the Strategic Report on page 1 of this annual report and accounts and on pages 71, 80 to 82 of the 2024 RS Group plc Annual Report and Accounts.

Other information to report

The following information is set out on the pages below:

- Financial results – page 7
- Financial instruments and financial risk management – pages 2, 12, 16 and 17
- Likely future developments – page 1
- Branches outside of the UK – 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.

Directors' Report (continued)

Corporate governance arrangements

During the year, the Company's parent company, RS Group plc, applied the UK Corporate Governance Code which was applied throughout the Group. In doing so, the Company's governance arrangements reflect those that are set out in the 2024 RS Group plc Annual Report and Accounts on pages 73 to 87.

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:



I Rybakova
Director
25 July 2024

Independent auditors' report to the members of RS Components Limited**Report on the audit of the accounts****Opinion**

In our opinion, RS Components Limited's accounts:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 accounts, included within the Annual Report and Accounts (the Annual Report), which comprise: the Balance Sheet as at 31 March 2024; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the accounts, 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 accounts 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 accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the accounts and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2024 is consistent with the accounts 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 accounts and the audit***Responsibilities of the Directors for the accounts***

As explained more fully in the Statement of Directors' responsibilities in respect of the accounts, the Directors are responsible for the preparation of the accounts in accordance with the applicable framework and for being satisfied that they give a true and

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

fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, 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 accounts

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, pensions legislation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the accounts. We evaluated management's incentives and opportunities for fraudulent manipulation of the accounts (including the risk of override of controls), and determined that the principal risks were related to areas where the Directors made subjective judgements, for example in respect of accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance around actual and potential litigation and claims;
- assessment of matters reported on the Company's whistleblowing helpline and results of management's investigation of such matters;
- challenging assumptions and judgements made by management in their accounting estimates;
- identifying and testing higher risk journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, or unauthorised users or super-user access;
- reviewing minutes of meetings of those charged with governance; and
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

We have no exceptions to report arising from this responsibility.

Claire Turner

Claire Turner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 July 2024

RS COMPONENTS LIMITED

**Profit and Loss Account
for the year ended 31 March 2024**

	Note	2024 £m	2023 £m
Turnover	5	1,111.0	1,172.1
Cost of sales		(771.0)	(813.2)
Gross profit		<u>340.0</u>	358.9
Distribution and marketing expenses		(372.5)	(382.0)
Administrative expenses		(10.3)	(18.7)
Other operating income		210.7	279.2
Operating profit	6	<u>167.9</u>	237.4
Interest receivable from bank		0.2	-
Interest payable	10	(13.3)	(5.9)
Profit before taxation		<u>154.8</u>	231.5
Tax on profit	11	(32.2)	(39.3)
Profit for the year		<u><u>122.6</u></u>	<u>192.2</u>

**Statement of Comprehensive Income
for the year ended 31 March 2024**

	2024 £m	2023 £m
Profit for the year	<u>122.6</u>	192.2
Other comprehensive (expense) / income		
Net gain / (loss) on cash flow hedges	1.4	(1.6)
Remeasurement of net defined benefit liability	(10.9)	(10.7)
Tax on components of other comprehensive (expense) / income	2.3	2.4
Other comprehensive expense for the year	<u>(7.2)</u>	(9.9)
Total comprehensive income for the year	<u><u>115.4</u></u>	<u>182.3</u>

The notes on pages 10 to 18 are an integral part of these accounts.

RS COMPONENTS LIMITED

**Balance Sheet
as at 31 March 2024**

	Note	2024 £m	2023 £m
Fixed assets			
Intangible assets	12	76.8	66.5
Tangible assets	13	33.4	34.8
Investments	14	-	-
Total fixed assets		110.2	101.3
Current assets			
Inventories	15	265.6	283.9
Debtors: amounts falling due after more than one year	16	1.1	4.6
Debtors: amounts falling due within one year	16	350.6	384.0
Retirement benefit net assets		-	-
Cash at bank and in hand		40.9	4.9
Total current assets		658.2	677.4
Creditors: amounts falling due within one year	17	(467.4)	(469.0)
Net current assets		190.8	208.4
Total assets less current liabilities		301.0	309.7
Creditors: amounts falling due after more than one year	18	(1.5)	(2.1)
Provisions for liabilities and charges	20	(2.4)	-
Net assets		297.1	307.6
Capital and reserves			
Share capital	24	0.1	0.1
Share premium account		0.1	0.1
Hedging reserve		-	(1.0)
Merger reserve		(35.1)	(35.1)
Profit and loss account		332.0	343.5
Total equity		297.1	307.6

The notes on pages 10 to 18 are an integral part of these accounts.

These accounts on pages 7 to 18 were approved by the Board of Directors on 25 July 2024 and were signed on its behalf by:



I Rybakova
Director

Company number: 1002091

RS COMPONENTS LIMITED

**Statement of Changes in Equity
for the year ended 31 March 2024**

	Share capital £m	Share premium account £m	Hedging reserve £m	Merger reserve £m	Profit and loss account £m	Total equity £m
At 1 April 2022	0.1	0.1	0.2	-	282.0	282.4
Profit for the year	-	-	-	-	192.2	192.2
Net loss on cash flow hedges	-	-	(1.6)	-	-	(1.6)
Remeasurement of defined benefit net assets	-	-	-	-	(10.7)	(10.7)
Tax on other comprehensive income	-	-	0.4	-	2.0	2.4
Total comprehensive income	-	-	(1.2)	-	183.5	182.3
Dividends (Note 25)	-	-	-	-	(130.0)	(130.0)
Equity-settled share-based payments	-	-	-	-	8.0	8.0
Transfers of trade and assets from other Group companies	-	-	-	(35.1)	-	(35.1)
At 31 March 2023	0.1	0.1	(1.0)	(35.1)	343.5	307.6
Profit for the year	-	-	-	-	122.6	122.6
Net gain on cash flow hedges	-	-	1.4	-	-	1.4
Remeasurement of defined benefit net assets	-	-	-	-	(10.9)	(10.9)
Tax on other comprehensive expense	-	-	(0.4)	-	2.7	2.3
Total comprehensive (expense) / income	-	-	1.0	-	114.4	115.4
Dividends (Note 25)	-	-	-	-	(130.0)	(130.0)
Equity-settled share-based payments	-	-	-	-	4.1	4.1
At 31 March 2024	0.1	0.1	-	(35.1)	332.0	297.1

The notes on pages 10 to 18 are an integral part of these accounts.

Notes to the accounts

1. General information

The Company is a wholly-owned subsidiary of RS Group plc (Parent Company). The Company is a private company limited by shares and is incorporated, registered and domiciled in England and Wales. The address of its registered office is Birchington Road, Weldon, Corby, Northamptonshire NN17 9RS, UK.

2. Statement of compliance

The Company is included in the Parent Company's consolidated accounts which are publicly available (Note 28) and is therefore exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated accounts.

These separate accounts of the Company 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 £0.1 million.

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.

(a) Basis of preparation

These accounts are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit or loss.

Exemptions for qualifying entities under FRS 102

The Company has 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) Acquisitions

The results of businesses acquired in the year are included from the effective date of acquisition. The net assets of businesses acquired from another RS Group company are incorporated in the Company's accounts at either their fair values or their book values (referred to as merger accounting) at the date of acquisition, depending on which most fairly presents the substance of the arrangement and with reference to the accounting used for previous transactions that are considered similar in nature. Where merger accounting is applied, appropriate adjustments are made to achieve uniformity of accounting policies and the difference between the book values of the net assets acquired and the consideration paid is recorded in the merger reserve.

(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.

(d) Turnover

Turnover from the sales of goods and services is recognised when the significant risks and rewards of ownership have been transferred, which is in most cases upon delivery to the customer. 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.

(e) Cost of sales

Cost of sales comprises the cost of goods delivered to customers and the write-down of inventories to net realisable value.

The Company receives rebates from certain suppliers relating mainly to the volume of purchases made in a specified time period. These rebates are recognised as a reduction in cost of sales to the extent that the inventories purchased from the supplier and eligible for rebates have been sold in the year. Rebates on purchases that remain in inventories are deducted from the cost of inventories, thus reducing cost of sales in the profit and loss account in the period in which the inventories are expensed. The Company recognises the rebate only where there is evidence of a binding arrangement with the supplier, the amount can be estimated reliably and receipt is probable.

(f) Share-based payments

Equity-settled share-based payments are measured at fair value at the grant date, calculated using an appropriate option pricing model. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period that employees become unconditionally entitled to the awards. The profit and loss account 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 profit and loss account.

Notes to the accounts (continued)

3. Summary of significant accounting policies (continued)

(g) Post-employment benefits

Employees of the Company may be members of the Group's UK pension scheme.

Defined benefit pension scheme

There is no agreement or stated policy for charging the net defined benefit cost for the scheme to the individual Group entities. Both the Company and the Parent Company are the sponsoring employers. The majority of the scheme members work for the Company and so it accounts for the UK scheme as a defined benefit scheme in these accounts. Details of the pension scheme are disclosed in Note 10 to the Group Accounts of the 2024 RS Group plc Annual Report and Accounts.

The surplus or deficit recognised in the balance sheet is the difference between the fair value of the scheme assets and the present value of the obligation at the balance sheet date. The present value of the obligation is measured using the projected unit credit method and a discount rate reflecting yields on high-quality corporate bonds. Any surplus recognised is restricted to the amount that can be recovered through reduced contributions in the future, resulting in retirement benefit net assets of £nil at 31 March 2024 (2023: £nil).

The operating profit charge comprises the current service cost, net interest cost, past service costs, curtailment gains and losses and settlement gains and losses. The net interest cost is based on the discount rate at the beginning of the year, contributions paid in and the surplus or deficit during the year. Past service costs and curtailment gains and losses are recognised at the earlier of when the scheme amendment or curtailment occurs and when any related reorganisation costs or termination benefits are recognised. Settlement gains and losses are recognised when the settlement occurs.

Remeasurements, representing returns on scheme assets excluding amounts included in interest and actuarial gains and losses, are recognised in other comprehensive income.

Defined contribution pension scheme

Contributions to the defined contribution scheme are expensed as they fall due.

(h) 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.

(i) Other operating income

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

(j) Interest payable

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

(k) 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. It includes tax relating to the overseas branches. Current tax is the amount of income tax payable in respect of the taxable profit for the year, 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.

(l) Intangible fixed assets

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value attributed to the net assets acquired (including contingent liabilities) less accumulated amortisation and any provisions for impairment. Goodwill is amortised over 10 years.

Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. Amortisation is calculated to write off the cost on a straight-line basis over the following useful lives from the date the assets are first available for use: software 2 - 11 years; development expenditure 3 years ; customer contracts and relationships 5 years ; and acquired research 3 years .

Intangible assets are regularly reviewed for any indicators of impairment and if any such indication exists, the recoverable amount of the asset is calculated as the higher of fair value less costs of disposal and value in use and an impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Notes to the accounts (continued)

3. Summary of significant accounting policies (continued)**(m) Tangible fixed assets**

Tangible assets are stated at cost less accumulated depreciation and any provisions for impairment. No depreciation has been charged on freehold land. Other tangible assets are depreciated to residual value, on a straight-line basis over the following useful lives: freehold and improvements to leasehold buildings 50 years (or the lease term if shorter); plant and machinery 5 - 10 years ; and computer equipment 3 - 5 years .

(n) Government grants

Government grants related to expenditure on tangible fixed assets 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 grants is included within creditors.

(o) Investments

Investments are held at cost less any accumulated impairment losses.

(p) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and finished goods and goods for resale includes attributable overheads.

(q) Basic financial instruments

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

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

(r) Derivative financial instruments and hedging activities

The Company has elected to adopt the recognition and measurement provisions of IAS 39 (as adopted in the UK) and the disclosure provisions of FRS 102 in respect of financial instruments.

The currency exposure arising from sales and purchases and other receivables in currencies other than the functional currency is managed on behalf of the Company by the Parent Company. Derivatives used for these purposes are forward foreign exchange contracts, some of which are accounted for as cash flow hedges and some as other derivative instruments at fair value through profit or loss, and recognised at fair value which is estimated by discounting the future contractual cash flows using appropriate market-sourced data at the balance sheet date.

(s) Provisions for liabilities and charges

Provisions for liabilities and charges 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.

(t) Distributions

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

4. Critical accounting judgements and estimation uncertainty

The preparation of accounts under FRS 102 requires the Company to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Except for judgements involved in estimations, no judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the accounts. The judgements involved in estimations take account of the Company's latest expectations of the longer-term impacts of climate change and environmental regulations and the current global economic and geopolitical uncertainties.

Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities within the next year. The significant estimates made in the accounts were in relation to retirement benefit net assets where the Company estimates the defined benefit pension scheme's surplus or deficit using assumptions that are based on historical experience and current trends supported by the expertise of external actuaries. These are described in Note 10 to the Group Accounts of the 2024 RS Group plc Annual Report and Accounts.

While not a significant estimate, the Company also focuses on estimates made in relation to the net realisable value of inventories in order to determine the value of any provision required. In this estimation judgements, including any impact of obsolescence including that related to regulatory changes due to amongst other things climate change, are made in relation to the number of years of sales there are in inventories of each product and the value recoverable from those inventories. The Company bases its estimates on recent historical experience and knowledge of the products on hand. Based on sensitivity analyses performed, the Company does not expect any reasonably likely changes, including regulatory changes and the current global economic and geopolitical uncertainties, to have a material impact on the net realisable value of inventories.

Notes to the accounts (continued)

5. Turnover

The Company has a single class of business being the provision of product and service solutions. Turnover by geographical destination is as follows:

	2024	2023
	£m	£m
Europe	975.7	1,012.4
Asia	81.8	94.9
Rest of world	53.5	64.8
	1,111.0	1,172.1

6. Operating profit

Operating profit is stated after charging / (crediting):

	2024	2023
	£m	£m
Fee payable to the Company's auditors for the audit of the accounts	0.5	0.5
Depreciation of tangible assets	6.0	6.8
Amortisation of intangible assets	12.1	10.9
Amortisation of government grants	(0.1)	(0.1)
Loss on foreign exchange	4.4	0.9
Operating lease rentals payable	5.1	8.0

7. Directors' remuneration

Certain of the Directors of the Company predominantly perform services for and are remunerated by the Parent Company. These Directors received no emoluments for their qualifying services to the Company.

The remuneration of other Directors of the Company in respect of qualifying services to the Company were as follows:

	2024	2024	2023	2023
	Highest paid	Other	Highest paid	Other
	director	directors	director	directors
	£m	£m	£m	£m
Aggregate remuneration	0.5	0.2	0.4	0.4

	Number of directors	
	2024	2023
Exercised share options in the Parent Company	1	4
Entitled to receive shares under the Parent Company's long term incentive schemes	3	6

The highest paid director received shares in the Parent Company as part of long term incentive schemes.

£Nil (2023: £0.4 million) was paid in compensation to directors for loss of office.

8. Employees

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

	2024	2023
Management and administration	481	430
Distribution and marketing	2,821	2,731
	3,302	3,161

Employee costs charged to profit and loss were as follows:

	2024	2023
	£m	£m
Wages and salaries	125.1	131.7
Social security costs	17.5	14.6
Share-based payments – equity-settled	5.4	7.0
Share-based payments – cash-settled	0.2	0.5
Defined contribution retirement benefit costs	9.2	7.4
Defined benefit retirement benefit costs	2.1	3.0
	159.5	164.2
Termination benefits	4.3	1.8
	163.8	166.0

Notes to the accounts (continued)

9. Share-based payments

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

Long Term Incentive Plan (LTIP)

The Group's active LTIPs are granted under the 2019 LTIP, the 2022 LTIP, the Journey to Greatness (J2G) LTIP Award and the all employee LTIP called the RS YAY! Award. Under these LTIPs, awards are made to plan participants normally subject to service conditions and performance conditions. At the vesting date the award will either vest, in full or in part, or expire depending on the outcome of normally the performance conditions. All awards have £nil exercise price and normally receive accrued dividends on settlement.

Those awards made under the 2019 LTIP in 2020/21 (vested in June 2023), and 2021/22 are normally subject to a market performance condition based on total shareholder return (TSR) of the Group versus a defined comparator group and a non-market performance condition based on cumulative growth in Group adjusted earnings per share (EPS) over the vesting period with a Group return on capital employed (ROCE) underpin.

Awards under the 2022 LTIP are normally subject to a market performance condition based on TSR of the Group versus a defined comparator group and a non-market performance condition based on the Group adjusted EPS compound annual growth rate (CAGR) over the vesting period with a Group ROCE underpin.

Awards under the J2G LTIP Award to senior management are subject to non-market performance conditions based on the Group adjusted EPS CAGR over the vesting period and a Group scorecard of key performance indicators directly linked to The RS Way scorecard, with a Group ROCE underpin.

Awards under the RS YAY! Award to all other employees are subject to a non-market performance condition based on Group adjusted profit before tax CAGR over the vesting period.

Savings-Related Share Option Scheme (SAYE)

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

Deferred Share Bonus Plan (DSBP)

Under the DSBP, one-third of the total annual incentive earned by plan participants is awarded as shares in the Parent Company and vests after two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. The participants receive accrued dividends on vesting.

10. Interest payable

	2024	2023
	£m	£m
Interest payable to the Parent Company	(12.4)	(5.4)
Interest payable on bank overdrafts	(0.5)	(0.5)
Interest payable on tax	(0.4)	-
	<u>(13.3)</u>	<u>(5.9)</u>

Notes to the accounts (continued)

11. Tax on profit

	2024	2023
	£m	£m
Current tax		
Current tax on profits for the year	29.4	39.5
Adjustments for prior years	1.0	(0.2)
Total current tax	<u>30.4</u>	<u>39.3</u>
Deferred tax		
Origination and reversal of temporary differences	1.0	(0.3)
Changes in tax rates and laws	-	(0.2)
Adjustments for prior years	0.8	0.5
Total deferred tax	<u>1.8</u>	<u>-</u>
Tax on profit	<u><u>32.2</u></u>	<u><u>39.3</u></u>

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

	2024	2023
	£m	£m
Profit before taxation	<u>154.8</u>	<u>231.5</u>
Expected tax charge at 25% (2023: 19%)	38.7	44.0
Effects of:		
Overseas taxes	0.1	0.3
Non-taxable income	(0.5)	-
Non-deductible expenses	-	0.3
Changes in tax rates and laws	-	(0.2)
Adjustments for prior years	1.8	0.3
Group relief	(8.7)	(5.2)
Other adjustments	0.8	(0.2)
	<u>32.2</u>	<u>39.3</u>

Factors that may affect future tax

In May 2021, the UK government enacted a change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 and so the UK deferred tax balances are calculated at the new rate.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two) and in the UK, the government substantively enacted this in its Finance (No.2) Act 2023 on 20 June 2023, introducing an income inclusion rule and domestic minimum top-up tax that apply for accounting periods beginning on or after 31 December 2023. The Company is in the process of assessing the full impact of this, however, it is not expected to have a material impact.

12. Intangible assets

	Goodwill	Software	Development expenditure	Customer contracts and relations	Acquired research	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2023	1.9	273.7	1.8	0.4	1.0	278.8
Additions	-	25.1	-	-	-	25.1
Disposals	-	(1.0)	-	-	-	(1.0)
At 31 March 2024	<u>1.9</u>	<u>297.8</u>	<u>1.8</u>	<u>0.4</u>	<u>1.0</u>	<u>302.9</u>
Amortisation						
At 1 April 2023	0.4	209.6	1.3	0.2	0.8	212.3
Charged in the year	0.2	11.1	0.5	0.1	0.2	12.1
Impairment losses	-	2.5	-	-	-	2.5
Disposals	-	(0.8)	-	-	-	(0.8)
At 31 March 2024	<u>0.6</u>	<u>222.4</u>	<u>1.8</u>	<u>0.3</u>	<u>1.0</u>	<u>226.1</u>
Net book value						
At 31 March 2024	<u>1.3</u>	<u>75.4</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>76.8</u>
At 31 March 2023	<u>1.5</u>	<u>64.1</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	<u>66.5</u>

The software impairment losses relate to software that will stop being used in the future and are included in distribution and marketing expenses.

Notes to the accounts (continued)

13. Tangible assets

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost				
At 1 April 2023	32.3	119.3	47.0	198.6
Additions	-	4.4	1.2	5.6
Disposals	-	(2.2)	(0.1)	(2.3)
Reclassifications	0.1	(0.1)	-	-
At 31 March 2024	32.4	121.4	48.1	201.9
Depreciation				
At 1 April 2023	20.4	99.7	43.7	163.8
Charged in the year	0.5	4.7	0.8	6.0
Disposals	-	(1.2)	(0.1)	(1.3)
Reclassifications	0.1	(0.1)	-	-
At 31 March 2024	21.0	103.1	44.4	168.5
Net book value				
At 31 March 2024	11.4	18.3	3.7	33.4
At 31 March 2023	11.9	19.6	3.3	34.8

14. Investments

The Company operates branch offices in South Africa and China (Taiwan).

The Company owns 33.333% of the ordinary share capital of RS Group International Holdings Limited, a RS Group company incorporated in the UK whose registered address is Fifth Floor, Two Pancras Square, London N1C 4AG, UK.

15. Inventories

	2024 £m	2023 £m
Raw materials and consumables	109.8	96.1
Finished goods and goods for resale	200.4	215.1
Gross inventories	310.2	311.2
Inventory provisions	(44.6)	(27.4)
Net inventories	265.6	283.8

During the year £24.9 million was recognised in cost of sales relating to the write-down of inventories to net realisable value (2023: £20.3 million).

16. Debtors

	2024 £m	2023 £m
Amounts falling due after more than one year:		
Other debtors	0.1	0.1
Deferred tax (Note 21)	1.0	4.5
	1.1	4.6
Amounts falling due within one year:		
Trade debtors	106.0	119.7
Amounts owed by the Parent Company	56.2	56.2
Amounts owed by other Group companies	157.2	180.1
Other debtors	4.0	5.3
Other derivative assets (Note 19)	0.4	0.3
Corporation tax	3.4	4.5
Other taxation and social security	0.2	0.2
Prepayments	23.2	17.7
	350.6	384.0

Notes to the accounts (continued)

16. Debtors (continued)

Trade debtors are stated after provisions for impairment of £2.6 million (2023: £2.9 million). The Company has historically experienced very low levels of trade debtors not being recovered, including those significantly past due, and this was also the case during 2024. However, with the continued global economic and geopolitical uncertainties, the Company remains cautious about its exposure and so has carefully reviewed, and maintained at a higher level, its provisions for those types of customers that are most affected.

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

17. Creditors: amounts falling due within one year

	2024	2023
	£m	£m
Trade creditors	164.5	187.2
Amounts owed to the Parent Company	239.2	183.6
Amounts owed to other Group companies	2.1	2.6
Other derivative liabilities (Note 19)	0.9	1.7
Other creditors	10.6	11.9
Taxation and social security	5.8	6.8
Government grants	0.1	0.1
Accruals	44.2	75.1
	<u>467.4</u>	<u>469.0</u>

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

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

	2024	2023
	£m	£m
Government grants	0.8	0.9
Other creditors	0.7	1.2
	<u>1.5</u>	<u>2.1</u>

19. Derivative financial instruments

	2024		2023	
	Debtors £m	Creditors £m	Debtors £m	Creditors £m
Forward foreign exchange contracts designated as cash flow hedges	0.4	(0.9)	0.1	(1.4)
Forward foreign exchange contracts classified at fair value through profit or loss	-	-	0.2	(0.3)
	<u>0.4</u>	<u>(0.9)</u>	<u>0.3</u>	<u>(1.7)</u>

The Company uses forward foreign exchange contracts to hedge highly probable forecast transactions and designates these as cash flow hedges. The forecast cash flows are expected to occur evenly throughout the forecast period from the year end, which is between three and seven months, and will affect the profit and loss account in the period in which they occur.

For the year ended 31 March 2024, cash flow hedge losses of £1.2 million (2023: £nil) were reclassified from equity to inventories, cash flow hedge gains of £0.3 million (2023: losses of £0.7 million) reclassified from equity to profit or loss for the year and cash flow hedge gains of £0.6 million (2023: losses of £2.3 million) were recognised directly in equity.

20. Provisions for liabilities and charges

	Reorganisation provision £m	Dilapidation provision £m	Total £m
At 1 April 2023	-	-	-
Charge for the year	3.2	0.8	4.0
Utilised	(1.6)	-	(1.6)
At 31 March 2024	<u>1.6</u>	<u>0.8</u>	<u>2.4</u>

The reorganisation provision is expected to be fully spent by March 2026 and the dilapidation provision is expected to be fully utilised by March 2027.

Notes to the accounts (continued)

21. Deferred tax

Deferred tax assets are attributable to the following:

	2024	2023
	£m	£m
Capital allowances	(1.8)	(1.4)
Retirement benefit net assets	0.2	0.3
Employee benefits	2.3	4.4
Other timing differences	0.3	1.2
Deferred tax asset (Note 16)	1.0	4.5

22. Operating lease commitments

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

	2024	2023
	£m	£m
Within one year	3.9	4.8
From one to five years	9.1	7.4
After five years	1.1	0.8
	14.1	13.0

23. Capital commitments

As at 31 March 2024, the Company is contractually committed to, but has not provided for, future capital expenditure of £2.6 million (2023: £2.1 million), all of which is for intangible assets.

24. Share capital

	Number	£m
Issued and fully paid ordinary shares of £1.00 each: At 1 April 2023 and 31 March 2024	50,000	0.1

25. Dividends

During the year, the Company paid a final dividend of £130.0 million in respect of the year ended 31 March 2023 (2023: £130.0 million in respect of the year ended 31 March 2022).

The Directors recommend the payment of a final ordinary dividend of £120.0 million for the year ended 31 March 2024 (2023: £130.0 million).

26. Contingent liabilities

The Company has entered into financial guarantee contracts to guarantee, jointly with another RS Group company, the indebtedness of the Parent Company. The Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Guarantees exist in respect of the Parent Company's private placement loan notes, sustainability-linked loan facility and term loan, up to a maximum of £685.3 million (2023: £560.4 million), of which £440.3 million (2023: £184.6 million) had been drawn down at the end of the year.

27. Related party transactions

The Company made sales of £3.7 million (2023: £4.0 million) to RS Components & Controls (India) Limited, a joint venture of the Group, and a balance of £1.1 million (2023: £2.4 million) was outstanding at the balance sheet date and included within Debtors: amounts falling due within one year – amounts owed by other Group companies (Note 16).

28. Controlling parties

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