

RS INTEGRATED SUPPLY UK LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2023

Strategic Report

The Directors present their strategic report for the year ended 31 March 2023.

Principal activity, business review and key performance indicators

The principal activity of RS Integrated Supply UK Limited (the Company) is outsourced procurement and stores management. Turnover represents the fees it earns from both clients and suppliers for providing these services. 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. It pays the suppliers' invoices and raises invoices to clients in relation to these pass through items and so debtors and creditors include balances related to these transactions and as a result are much larger than turnover, cost of sales and expenses.

It is part of the RS Group (the Group). During the year, the Group brought together its businesses that provide integrated global supply solutions for maintenance, repair and operations, which previously traded as IESA and Synovos, under the brand RS Integrated Supply.

The Company's turnover increased by 6% to £18,021,000 (2022: £16,938,000) as trading activity rebounded post COVID-19, particularly within the automotive industry, and new client sites implemented during and post pandemic matured. Costs were closely managed but investment continued to be made in resource and infrastructure to support RS Integrated Supply's expansion across European markets. The Company continues to support the companies set up in those markets in prior years until they become profit making which has resulted in other operating expense of £2,021,000 (2022: £692,000). These investments and support, together with higher interest rates, led to a loss before taxation of £11,450,000 (2022: £4,700,000).

At 31 March 2023, the Company's net liabilities were £8,305,000 (2022: net assets of £2,454,000) due to the loss in the year.

Employee numbers were 408 (2022: 414).

Future developments

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

Section 172(1) statement

Under section 172(1) of the Companies Act 2006, the Directors are required to act in a way that they consider, in all good faith, would most likely promote the success of the Company 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 continues to prioritise the health, safety and wellbeing of its employees, building a 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. Also, detailed information of how the Directors have supported the Company's employees is included in people and health and safety below and in employee engagement on page 3 as well as in the 2023 RS Group plc Annual Report and Accounts on pages 6, 62 to 67.

The Company continues to endeavour to keep its customers running and also supporting those critical businesses that rely on it, such as food and beverage, healthcare, utilities and power generation industries. The Directors regularly meet and talk to the Company's prospective, new and existing clients to ensure the Company continues to provide innovative solutions and cost efficiencies for them in the long term. This is considered carefully when deciding how the Company will develop in the future as described in future developments above.

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

The Directors take seriously the impact the Company has on its local communities and the environment, and has continued to host Christmas food bank collections. The Company reaffirmed its commitment to ethical trading and seeks to work with supply chain partners who are willing to commit to the highest ethical and legal standards in areas such as human rights, labour, environment, sustainability and anti-corruption. Suppliers are asked to commit to the Group's improved ethical trading declaration.

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

Strategic Report (continued)

Principal risks and uncertainties

Principal risks and uncertainties affecting the Company are summarised below.

Geopolitical environment: There is an increasing risk of future global destabilisation which impacts on 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 disrupting supply chain channels and customer service; or the transition risks associated with the consequences of the migration to a carbon-neutral economy. 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, further details of which are available in the 2023 RS Group plc Annual Report and Accounts.

Future global pandemics: This includes the uncertainties associated with a pandemic and subsequent recovery, including changing customer demand, the recovery of receivables and liquidity risk, and delays and difficulties sourcing products. This risk is reducing as business preparedness continues to improve.

Talent and people resources: The retention and recruitment of high-performing employees 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.

Health and safety: The Company continues to focus on the wellbeing and mental health of its employees and enhance the attention it gives to health and safety, investing to ensure performance remains excellent in this critical area, building on its Target Zero Behavioural Safety training campaign.

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

Financial risk management

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

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

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

On behalf of the Board:



D C A Bowring
Director
14 May 2024

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 March 2023.

Directors

The Directors who were in office during the year were as follows:

D C A Bowring
D J Egan (resigned 3 May 2023)
V E Gough (resigned 27 March 2024)
A James
A B Perry

Directors' and Officers' liability insurance

In accordance with the Company's Articles of Association, the ultimate parent company (Note 23) entered into a 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 2022, which was renewed for 2023, for each of its Directors and each of the Directors of its subsidiary companies. It remains in force at the date of approval of this Directors' Report. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

Dividends

No dividends were paid during the year (2022: £nil). The Directors do not propose a final dividend for the year ended 31 March 2023 (2022: £nil).

Research and development

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

Employee engagement

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 Group by the Group's Savings-Related Share Option Scheme. Further details can be found in Note 10.

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 MyVoice. Employee forums were hosted in the UK in June 2022 and March 2023 by one of the Group's Board non-executive directors and included the Company's employees. The Group's Board received a detailed report on each 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

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

Other information to report

The following information is set out on the pages below:

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

Directors' Report (continued)

Disclosure of information to auditors

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

Statement of Directors' responsibilities in respect of the accounts

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

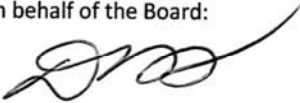
Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable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

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

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

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

On behalf of the Board:



D C A Bowring
Director
14 May 2024

Independent auditors' report to the members of RS Integrated Supply UK Limited

Report on the audit of the accounts

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, RS Integrated Supply UK Limited's accounts:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' Section 1A, 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 2023; 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 qualified opinion

The accounts for RS Integrated Supply Limited include mark-up management fee of £1,881,000 included within Turnover and related accrued income charged on receipt of product of £10,473,000 included within Debtors and goods received not invoiced accrual of £8,099,000 included within Creditors: amounts falling due within one year. During the year, appropriate accounting records have not been maintained by the Company and as a result, we have been unable to obtain sufficient audit evidence to satisfy ourselves that these balances are free from material misstatement as applied to RS Integrated Supply UK Limited.

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 qualified 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. Except for the possible effects of the matter described in the Basis for qualified opinion paragraph above, 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.

Independent auditors' report to the members of RS Integrated Supply UK Limited (continued)**Strategic Report and Directors' Report**

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph above, 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 2023 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, except for the possible effects of the matter described in the Basis for qualified opinion paragraph above, 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 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 UK tax legislation and the Companies Act 2006, 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 posting manual journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- inquiry of those charged with governance to assess if there any are instances of non-compliance with laws or regulations that have a material effect on the accounts;
- reviewing board meetings minutes held between the Directors to assess if there have been any instances of non-compliance with relevant laws or regulations;
- reviewing account disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- testing journal entries meeting specific risk criteria;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- reviewing legal expense listings to identify indications of potential non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the 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.

Independent auditors' report to the members of RS Integrated Supply UK Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to mark-up management fee revenue of £1,881,000 and related accrued income charged on receipt of product of £10,473,000 and goods received not invoiced accrual of £8,099,000, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- in our opinion, adequate accounting records have not been kept by the Company.

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

- 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
14 May 2024

**Statement of Comprehensive Income
for the year ended 31 March 2023**

	Note	2023 £000	2022 £000
Turnover	5	18,021	16,938
Cost of sales		<u>(6,645)</u>	(5,606)
Gross profit		11,376	11,332
Administrative expenses		<u>(19,505)</u>	(15,040)
Other operating expense		<u>(2,021)</u>	(692)
Operating loss	6	(10,150)	(4,400)
Interest payable and similar charges	11	<u>(1,300)</u>	(300)
Loss before taxation		(11,450)	(4,700)
Tax on loss	12	<u>114</u>	305
Loss and total comprehensive expense for the year		<u>(11,336)</u>	<u>(4,395)</u>

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

Balance Sheet
as at 31 March 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	13	700	3,719
Tangible assets	14	408	561
Total fixed assets		<u>1,108</u>	<u>4,280</u>
Current assets			
Debtors: amounts falling due after more than one year	15	462	729
Debtors: amounts falling due within one year	15	55,896	49,510
Cash at bank and in hand		358	2,627
Total current assets		<u>56,716</u>	<u>52,866</u>
Creditors: amounts falling due within one year	16	<u>(66,082)</u>	<u>(54,633)</u>
Net current liabilities		<u>(9,366)</u>	<u>(1,767)</u>
Total assets less current liabilities		<u>(8,258)</u>	<u>2,513</u>
Creditors: amounts falling due after more than one year	17	<u>(47)</u>	<u>(59)</u>
Net (liabilities) / assets		<u>(8,305)</u>	<u>2,454</u>
Capital and reserves			
Share capital	20	909	909
Profit and loss account		(9,214)	1,545
Total equity		<u>(8,305)</u>	<u>2,454</u>

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

These accounts on pages 8 to 17 were approved by the Board of Directors on 14 May 2024 and were signed on its behalf by:



D C A Bowring
Director
Company number: 04188491

**Statement of Changes in Equity
for the year ended 31 March 2023**

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2021	909	5,391	6,300
Loss and total comprehensive expense for the year	-	(4,395)	(4,395)
Equity-settled share-based payments	-	549	549
At 31 March 2022	909	1,545	2,454
Loss and total comprehensive expense for the year	-	(11,336)	(11,336)
Equity-settled share-based payments	-	577	577
At 31 March 2023	909	(9,214)	(8,305)

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

Notes to the accounts

1. General information

The Company is a wholly-owned subsidiary of RS Group plc. 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 IESA Works, Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK.

2. Statement of compliance

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

3. Summary of significant accounting policies

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

(a) Basis of preparation

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

RS Group plc has confirmed it will continue to make funds available to enable the Company to meet all its financial obligations as they fall due for at least 12 months from the date of approval of these accounts. RS Group plc's viability statement can be found on pages 46 and 47 of its Annual Report and Accounts for the year ended 31 March 2023 which are publicly available (Note 23). Consequently the directors have determined that the preparation of these accounts on a going concern basis is appropriate.

Exemptions for qualifying entities under FRS 102

The Company is included in the ultimate parent company's consolidated accounts which are publicly available (Note 23) and has therefore taken advantage of the following disclosure exemptions available under FRS 102:

- preparation of a cash flow statement
- financial instrument disclosures
- share-based payment disclosures
- key management personnel compensation disclosure

(b) Turnover

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

The Company recognises turnover for management charges, which are fees charged to clients in relation to the provision of the outsourced services, either as a monthly management fee or as a mark-up management fee when products are delivered each month. Licence fee income and subscription fee income are 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 or subscription fee is earned.

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

(c) Foreign currency transactions

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

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

(d) Post-employment benefits

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

(e) Other operating expense

Other operating expense represents amounts recharged / credited to companies in the Group for the costs of central processes incurred by the Company calculated to generate an agreed operating profit margin in those companies.

(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 charge to profit or loss 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 profit or loss.

(g) Interest payable and similar charges

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)

(h) Taxation

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

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

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

(i) Intangible fixed assets

Software is stated at cost less accumulated amortisation and any provisions for impairment. Amortisation is calculated to write off the cost of software on a straight-line basis over the following useful lives (and the corresponding annual rates) of 2 – 10 years (10% to 50%).

(j) Tangible fixed assets

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

Leasehold improvements	over the lease term
Fixtures and fittings	4 years (25%)
Computer equipment	3 years (33%)

(k) Leases

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

(l) Basic financial instruments

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

Basic financial liabilities, including creditors, are initially recognised at transaction price and then subsequently at amortised cost.

(m) Distributions

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

4. Critical accounting judgements and estimation uncertainty

The preparation of accounts under FRS 102 requires the Company to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Except for judgements involved in estimations, no judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the accounts. The judgements involved in estimations take account 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 in the next year. The significant estimates made in preparing the accounts were in relation to the review of intangible assets for impairment (Note 13). While not significant estimates, the Company also focuses on estimates made in relation to assumptions made in the review of impairments of trade debtors and other debtors (including prepayments and accrued income) based on overdue status, country, industry and customer risk historical collection experience.

5. Turnover

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

	2023	2022
	£000	£000
Monthly management fee	11,193	11,894
Mark-up management fee	1,881	109
Licence fee and subscription fee income	4,947	4,935
	18,021	16,938

Notes to the accounts (continued)

6. Operating loss

Operating loss is stated after charging / (crediting):

	2023 £000	2022 £000
Depreciation of tangible assets	286	485
Amortisation of intangible assets included in administrative expenses	540	482
Loss on disposal of intangible assets	70	-
Loss on disposal of tangible assets	32	1
Loss / (gain) on foreign exchange	456	(315)
Operating lease rentals payable	307	272

The fees payable to the Company's auditors for the audit of the accounts were £275,000 (2022: £245,000).

7. Directors' remuneration

The Directors of the Company who are employees of the ultimate parent company (Note 23) predominantly perform services for and are remunerated by the ultimate parent company. These Directors received no emoluments for their qualifying services to the Company.

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

	2023 Highest paid director £000	2023 Other directors £000	2022 Highest paid director £000	2022 Other directors £000
Aggregate remuneration	468	235	466	219
Company contributions to Directors' defined contribution pension scheme	22	16	27	16
	490	251	493	235

	Number of directors	
	2023	2022
Exercised share options in the ultimate parent company	2	1
Entitled to receive shares under ultimate parent company's Long Term Incentive Plan	5	6

The highest paid Director became entitled to receive shares under the ultimate parent company's Long Term Incentive Plan.

8. Employees

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

	2023	2022
Management and administration	185	194
Site operational staff	221	218
Directors	2	2
	408	414

Employee costs charged to profit and loss were as follows:

	2023 £000	2022 £000
Wages and salaries	13,722	13,865
Social security costs	1,662	1,365
Share-based payments – equity-settled	663	456
Share-based payments – cash-settled	92	82
Defined contribution retirement benefit costs	924	873
	17,063	16,641
Termination benefits	238	97
	17,301	16,738

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 £924,000 (2022: £873,000). Included in creditors is £76,000 (2022: £73,000) in relation to outstanding contributions.

Notes to the accounts (continued)

10. Share-based payments

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

Long Term Incentive Plan (LTIP)

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 subject to service conditions and performance conditions. At the vesting date the award will either vest, in full or in part, or expire depending on the outcome of the performance conditions. All awards have £nil exercise price and receive accrued dividends on settlement.

Those awards made under the 2019 LTIP in 2019/20 (vested in June 2022), 2020/21 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 Group employed at the time that the invitation period commences. The option price is based on the average market price of the ultimate 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 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 bonus earned by plan participants is awarded as shares in the ultimate parent company and deferred for two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. The participants receive accrued dividends on vesting.

11. Interest payable and similar charges

	2023 £000	2022 £000
Interest payable to the ultimate parent company	570	164
Invoice finance charges	730	136
	1,300	300

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

12. Tax on loss

	2023 £000	2022 £000
Current tax		
Adjustments for prior years	(83)	(189)
Corporation tax	(83)	(189)
Deferred tax		
Origination and reversal of temporary differences	(28)	(58)
Adjustments for prior years	(21)	-
Changes in tax rates and laws	18	(58)
Deferred tax	(31)	(116)
Tax on loss	(114)	(305)

Notes to the accounts (continued)

12. Tax on loss (continued)

The tax credit for the year can be reconciled to the Statement of Comprehensive Income as follows:

	2023 £000	2022 £000
Loss before taxation	<u>(11,450)</u>	<u>(4,700)</u>
Expected tax credit at 19% (2022: 19%)	(2,176)	(893)
Effects of:		
Tax rate adjustment	19	(58)
Expenses not deductible for tax purposes	(22)	101
Adjustments for prior years	(104)	(189)
Unutilised losses	2,208	189
Group relief	-	638
Other	(39)	(93)
	<u>(114)</u>	<u>(305)</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 have been 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 enacted in its Finance (No.2) Act 2023 on 11 July 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.

13. Intangible assets

	Software £000
Cost	
At 1 April 2022	4,982
Additions	344
Disposals	(194)
At 31 March 2023	<u>5,132</u>
Amortisation	
At 1 April 2022	1,263
Charged in the year	540
Impairment losses	2,753
Disposals	(124)
At 31 March 2023	<u>4,432</u>
Net book value	
At 31 March 2023	<u>700</u>
At 31 March 2022	<u>3,719</u>

Included in intangible assets is the Company's enterprise resource planning software with net book value of £700,000 (2022: £3,229,000) and remaining useful life of 4 years.

The impairments are included in administrative expenses and relate to the enterprise resource planning software and MyMRO that the Company now expects to stop using before the previously expected dates.

The recoverable amount is based on value-in-use calculations, which use cash flow projections based on the Company's annual targets and strategic plan which cover the next five years and include judgements for the main assumptions related to credit terms in new customer and supplier contracts. The cash flows from the strategic plan are discounted at a pre-tax discount rate of 18%. If the discount rate had been assumed to be 2% lower, this would have reduced the impairment by £330,000 and if 2% higher would have increased the impairment by £301,000. If the assumptions related to credit terms in new customer and supplier contracts were to worsen / improve resulting in £500,000 lower / higher cash flow, this would have increased / reduced the impairment by £562,000.

Notes to the accounts (continued)

14. Tangible assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 April 2022	363	684	1,255	2,302
Additions	48	10	107	165
Disposals	(2)	(69)	(891)	(962)
At 31 March 2023	409	625	471	1,505
Depreciation				
At 1 April 2022	176	629	936	1,741
Charged in the year	39	46	201	286
Disposals	(1)	(66)	(863)	(930)
At 31 March 2023	214	609	274	1,097
Net book value				
At 31 March 2023	195	16	197	408
At 31 March 2022	187	55	319	561

15. Debtors

	2023 £000	2022 £000
Amounts falling due after more than one year:		
Prepayments and accrued income	103	316
Deferred tax (Note 18)	359	413
	462	729
Amounts falling due within one year:		
Trade debtors	36,126	31,550
Amounts owed by other Group companies	2,506	1,380
Other debtors	28	68
Corporation tax	871	747
Prepayments	706	524
Accrued income charged on receipt of product	10,473	6,690
Other accrued income	5,186	8,551
	55,896	49,510

Trade debtors, accrued income charged on receipt of product and other accrued income include amounts related to pass through items and so are much larger than turnover. Accrued income charged on receipt of product relates to products that have been delivered to clients and have not yet been invoiced.

Trade debtors are stated after provisions for impairment of £707,000 (2022: £295,000). 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 other Group companies are unsecured, interest free and repayable on demand.

16. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	29,851	29,693
Amounts owed to the ultimate parent company	12,547	11,077
Amounts owed to other Group companies	11,049	5,840
Other taxation and social security	1,819	1,241
Other creditors	189	142
Goods received not invoiced (GRNI) accrual	8,099	4,877
Other accruals and deferred income	2,528	1,763
	66,082	54,633

Trade creditors, amounts owed to other Group companies and GRNI accruals include amounts related to pass through items and so are much larger than cost of sales and expenses.

Amounts owed to the ultimate 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.

Notes to the accounts (continued)

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

	2023	2022
	£000	£000
Other creditors	47	59
	<u>47</u>	<u>59</u>

18. Deferred tax

Deferred tax assets are attributable to the following:

	2023	2022
	£000	£000
Fixed asset timing differences	(4)	35
Employee benefits	363	368
Other timing differences	-	10
	<u>359</u>	<u>413</u>

The net deferred tax asset expected to reverse in 2024 is £172,000 which relates to the reversal of timing differences on employee benefits.

19. Operating lease commitments

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

	2023	2022
	£000	£000
Within one year	233	71
From one to five years	901	1,027
After five years	-	40
	<u>1,134</u>	<u>1,138</u>

20. Share capital

	Number	£000
Issued and fully paid ordinary shares of £1.00 each: At 1 April 2022 and 31 March 2023	<u>908,995</u>	<u>909</u>

21. Dividends

The Company paid no dividends during the year (2022: £nil). The Directors do not recommend a payment of a final ordinary dividend for the year (2022: £nil).

22. Related party transactions

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

23. Controlling parties

The immediate parent company is IESA Holdings Limited.

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