INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RS GROUP PLC

Report on the audit of the accounts

Opinion

In our opinion:

- RS Group plc's Group accounts and Company accounts (the accounts) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2023 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company accounts 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
- the accounts 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 Group and the Company balance sheets as at 31 March 2023; the Group income statement and the Group statement of comprehensive income, the Group cash flow statement, the Group and the Company statements of changes in equity for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

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 Group 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 5 to the Group accounts, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We identified seven reporting components and used component teams in five countries which, in our view, required a full scope audit based on their size.
- In addition, we used component teams to perform audit procedures on specific account line items of three reporting components, with the Group engagement team performing audit procedures on specific account line items of one reporting component.
- The Group consolidation, accounts disclosures and a number of other items (including taxation, Group bonus accrual, goodwill, treasury, share-based payments and UK retirement benefit obligations) prepared by the head office finance function, were audited by the Group engagement team.
- The reporting components that are part of our audit scope as set out above account for 72% of Group revenue and 84% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.

Key audit matters

- Inventory obsolescence provisions (Group)
- Defined benefit pension scheme liabilities (Group)
- Fair value of acquired intangibles – Risoul (Group)
- Carrying value of investments (Company)

Materiality

- Overall Group materiality: £18.70 million (2021/22: £15.00 million) based on approximately 5% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.
- Overall Company materiality: £4.70 million (2021/22: £4.49 million) based on approximately 0.5% of net assets.
- Performance materiality: £14.00 million (2021/22: £11.25 million) (Group) and £3.53 million (2021/22: £3.36 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accounts.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

'Fair value of acquired intangibles – Risoul' is a new key audit matter this year. 'Tax Provisioning', which was a key audit matter last year, is no longer included because of it has been reduced to normal risk as there is no history of material misstatements in this area and the fact that the magnitude of the current provision is significantly below our level of materiality. Otherwise, the key audit matters below are consistent with last year.

Inventory obsolescence provisions (Group)

Refer to page 107 (Audit Committee Report), page 148 (Note 1 Basis of preparation) and page 172 (Note 17 Inventories).

Key audit matter	How our audit addressed the key audit matter
The balance of gross inventories at 31 March 2023 was £660.00 million (2021/22: £559.20 million), against which provisions of £43.70 million (2021/22: £29.70 million) were held. The Group's business model is based on having the broadest range in the industry and delivering products on time, often the next day. This results in large quantities of inventory comprising many different types of products, being held for long periods of time which raises the risk of inventory obsolescence. The inventory provisions are calculated on an inventory cover basis with the underlying calculation based on appropriate product categorisation and assumptions over sales trends, provision rates and recoverable amounts. The inventory provisions are calculated within the Group's accounting systems using an automated process. Where necessary, manual overlays are applied to these provisions to account for unusual circumstances that may have arisen during the year or where there is a right of return in place in which case no provision may be required.	For the year-end inventory provisions, we assessed the completeness of the data used by the Group's accounting system to calculate the provisions by agreeing the sub-ledger to the general ledger. We recalculated the provisions to ensure mathematical accuracy and consistency of application with the methodology. We evaluated the reasonableness of management's estimates regarding the future annual sales and the obsolescence percentage applied by comparing these assumptions to historical sales and historical write-offs. We found the assumptions to be reasonable. We challenged manual overlays to the automated calculation by validating the circumstances relating to the adjustments or whether there was a right of return under the contractual arrangements. In assessing management's consideration of the estimation uncertainty within the inventory obsolescence provisioning, we re-performed management's sensitivity assessment which considered an increase in inventory cover days and provisioning rates. Based on our audit procedures, including the review of disclosures given in Note 17, we agree with the figures presented and with management's conclusions that based on the information available at the time of the Board's approval of the accounts, such sensitivities would not result in a material change to the inventory provisions.

Defined benefit pension scheme liabilities (Group)

Refer to page 107 (Audit Committee Report), page 148 (Note 1 Basis of preparation) and pages 160 to 165 (Note 9 Retirement benefit obligations).

Key audit matter	How our audit addressed the key audit matter
The Group has net retirement benefit obligations of £36.40 million at 31 March 2023 (2021/22: £12.40 million), which are significant in the context of the overall balance sheet. The net retirement benefit obligations in respect of the UK scheme is £26.20 million (2021/22: nil). This is after the application of asset ceiling rules to the scheme surplus of £34.90 million whereby this is restricted to zero given that under the scheme rules there is no unconditional right to a refund of surplus that may arise on the scheme. An additional liability of £26.20 million has been recognised on the balance sheet, which represents the present value of deficit contributions agreed at the latest statutory funding valuation. The remaining £10.20 million net retirement benefit obligations are made up of immaterial amounts in respect of other European defined benefit pension and retirement indemnity schemes. The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liabilities. Management uses external actuaries to assist in determining these assumptions.	We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities for the UK scheme were reasonable. We challenged whether salary increases and mortality rates assumptions were consistent with the specifics of each plan and, where applicable, with relevant national benchmarks. We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line with other companies. We evaluated the calculations prepared by the external actuaries to assess the consistency of the assumptions and methodologies applied. Based on our procedures, we noted that the assumptions in respect of future improvements in mortality, discount rate and commutation assumptions are at the optimistic end of an acceptable range. Overall, we consider valuation of the UK defined benefit scheme liabilities to be reasonable. We reviewed the related disclosures in Note 9 to the Group accounts which also included the sensitivity analysis in respect of changes in significant assumptions and consider these disclosures to be appropriate.

Fair value of acquired intangibles – Risoul (Group)

Refer to page 108 (Audit Committee Report), page 148 (Note 1 Basis of preparation) and pages 182 to 183 (Note 28 Acquisitions).

Key audit matter	How our audit addressed the key audit matter
On 3 January 2023, the Group completed the acquisition of 100% of the share capital of Risoul y Cia. S.A. de C.V. and its subsidiaries (Risoul) for purchase consideration of £233.40 million. The acquisition resulted in the recognition of £214.30 million of intangible assets at the acquisition date, primarily made up of goodwill of £108.40 million and customer contracts and relationships and distribution agreements of £105.90 million. Management determined the acquisition date fair values of intangible assets with the help of external valuation experts. The calculation of these fair values involves judgements and estimates regarding forecasts and other assumptions used in the valuation models.	We reviewed the share purchase agreement and noted no unusual terms. We agreed the consideration to the share purchase agreement and reconciled the amount to bank statements for the element paid by year end and to receivables for any consideration refundable. We audited the assumptions and bases of the valuations utilising the assistance of our specialist valuation team and performed work to test the bases and mechanical accuracy of the models, the application of the valuation methodology, appropriateness of the key assumptions and inputs applied, including discount rates, long-term growth rates, tax amortisation benefits and contributory asset charges. Based on this work we did not identify any issues. We have performed an independent recalculation of the overall weighted average cost of capital (WACC) used in the valuation models and found management's WACC to be within a reasonable range. We have reviewed the cash flow forecasts and agreed these back to financial forecasts used in the due diligence. We also challenged management in relation to the forecasts and evidence for related key inputs such as the proportion of revenue attributable to the key supplier relationship with Rockwell and consider these to be reasonable. We examined the disclosures in respect of the acquisition and found them to be appropriate, providing a fair reflection of the accounting. Overall, based on our work performed, we consider the fair values of acquired intangibles and the related disclosures in the Group accounts to be appropriate.

Carrying value of investments (Company)

Refer to page 109 (Audit Committee Report) and page 189 (Note 8 Investments in subsidiaries in the Company accounts).

Key audit matter	How our audit addressed the key audit matter
The Company holds investments in subsidiaries of £491.20 million at 31 March 2023 (2021/22: £343.00 million). Investments in subsidiaries are accounted for at cost less provision for impairment in the Company balance sheet. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the profit and loss account. The impairment assessment was identified as a key audit matter given the size of the underlying investment carrying values in the Company accounts at 31 March 2023. The assessment requires the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for an impairment assessment and in assessing whether the carrying value of each investment can be supported by its recoverable amount.	We evaluated management's assessment of whether any indicators of impairment existed by comparing the carrying values of investments in subsidiaries to the net assets of the underlying subsidiaries at 31 March 2023 and no impairment indicators were noted. Based on the procedures performed, we concur with management that there are no indicators of impairment in respect of investment in subsidiaries.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the accounts as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around a local finance function in most of the Group's country reporting components. These functions maintain their own accounting records and controls (although transactional processing and certain controls for many reporting components are performed at the Group's EMEA, Americas and Asia Pacific centres of expertise) and report to the head office finance team through an integrated consolidation system.

In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of RS UK, RS Germany, RS France, RS Italy, RS Shanghai, RS Americas (including RS Americas Canada), and RS Group plc. In each country we used PwC component auditors to audit and report on the aggregated financial information of that reporting component. This work is supplemented by audit procedures over specific balances performed on RS Integrated Supply UK, RS Integrated Supply US, Risoul, Bodenfeld, and procedures performed centrally on the Group consolidation, accounts disclosures, taxation, Group bonus accrual, goodwill, treasury, share-based payments, UK retirement benefit obligations, acquisition accounting and certain reporting component balances not covered by local country component teams.

Where the work was performed by component auditors, under our instruction, we determined the level of involvement we needed to have in the audit work at those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group accounts as a whole. We maintained regular communication with the local teams, before, during and after their audit. We directed the work of component teams, reviewed their approach and findings, and participated in the closing meetings of the significant and material reporting components.

The reporting components that are part of our audit scope as set out to the left account for 72% of Group revenue and 84% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.

The impact of climate risk on our audit

As part of our audit procedures, we have considered the potential impact of climate change on the Group's business and its accounts.

The Group continues to develop its assessment of the potential impacts of climate change as explained throughout the Strategic Report and in more detail on pages 50 to 57 and pages 72 to 76.

As part of our audit, we have obtained management's climate-related risk assessment and held discussions with management, together with our own climate change experts, to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's accounts.

Management has assessed that the most likely impacted accounts line items and estimates are those associated with future cash flows since the impact of climate change is expected to become more notable in the medium to long term.

While auditing these forecast cash flows, we have challenged management on reflecting the impact of climate change and any climate change related commitments in the forecasts.

We have not identified any matters as part of this work which are inconsistent with the disclosures in the Annual Report or would lead to any material adjustments to the accounts.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the accounts as a whole.

Based on our professional judgement, we determined materiality for the accounts as a whole as follows:

	Accounts – Group	Accounts – Company
Overall materiality	£18.70 million (2021/22: £15.00 million).	£4.70 million (2021/22: £4.49 million).
How we determined it	Approximately 5% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.	Approximately 0.5% of net assets.
Rationale for benchmark applied	Profit before tax adjusted for one-off items is the key measure used by the shareholders as a body in assessing the Group's performance. We consider that excluding the substantial reorganisation costs, substantial asset write-downs and acquisition-related items is appropriate as this provides us with a consistent year-on-year basis for determining materiality by eliminating the non-recurring impact of these items.	Net assets is the primary measure used by the shareholders in assessing the performance and position of the entity as it reflects the Company's principal activity as a holding company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.00 million and £7.30 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021/22: 75%) of overall materiality, amounting to £14.00 million (2021/22: £11.25 million) for the Group accounts and £3.53 million (2021/22: £3.36 million) for the Company accounts.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.935 million (Group audit) (2021/22: £0.75 million) and £0.244 million (Company audit) (2021/22: £0.224 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- understanding of the mechanics and key inputs into the going concern model and holding discussions with Group management and regional finance to obtain an understanding of the trading performance and future outlook for their respective markets;
- evaluating the key assumptions within the forecasts;
- reviewing the terms of the existing debt and facilities;
- considering the potential downside sensitivities that management had applied and their likelihood and whether more severe scenarios could apply and the associated impact on available liquidity;
- assessing management's stress testing and whether this appropriately considered the principal risks facing the business and the likelihood of events arising that could erode liquidity and breach covenants within the forecast period;
- assessing the performance of the Group since year end and comparing it with the Board approved cash flow forecasts; and
- reviewing the disclosures within the Annual Report and validating that it accurately described management's going concern considerations.

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 Group's and 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 Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the accounts about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 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 Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the accounts and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the accounts about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the accounts;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the accounts and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the accounts and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the accounts and the audit

Responsibilities of the Directors for the accounts

As explained more fully in the Statement of Directors' Responsibilities, 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 Group's and 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 Group or 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 Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Listing Rules of the Financial Conduct Authority (FCA) and pensions legislations, and we considered the extent to which non-compliance might have a material effect on the accounts. We also considered those laws and regulations that have a direct impact on the accounts such as the Companies Act 2006 and the UK and other relevant tax legislation. 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 inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management, legal counsel and the internal audit function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing helpline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant and other key accounting estimates in particular in relation to defined benefit pension scheme liabilities and inventory obsolescence provisions;
- 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 and consolidation journals;
- reviewing internal audit reports and minutes of meetings with those charged with governance; and

- reviewing accounts 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 Company accounts and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 August 2014 to audit the accounts for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 March 2015 to 31 March 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these accounts form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Sandeep Dhillon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London
23 May 2023

GROUP INCOME STATEMENT

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Revenue	2,3,4	**2,982.3**	2,553.7
Cost of sales	5	**(1,630.1)**	(1,425.8)
Gross profit		**1,352.2**	1,127.9
Distribution and marketing expenses		**(889.5)**	(755.6)
Administrative expenses		**(79.7)**	(63.5)
Operating profit	2,3,5	**383.0**	308.8
Finance income	6	**2.0**	1.0
Finance costs	6	**(14.2)**	(8.1)
Share of profit of joint venture	16	**0.7**	0.5
Profit before tax		**371.5**	302.2
Income tax expense	10	**(86.7)**	(72.2)
Profit for the year attributable to owners of the Company		**284.8**	230.0
Earnings per share attributable to owners of the Company			
Basic	11	**60.4p**	48.9p
Diluted	11	**60.2p**	48.6p

The Notes on pages 148 to 186 form part of these Group accounts.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Profit for the year		**284.8**	230.0
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement			
Remeasurement of retirement benefit obligations	9	**(34.2)**	21.8
Related income tax	10	**7.9**	(0.9)
		(26.3)	20.9
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation differences of joint venture		**(0.1)**	0.1
Foreign exchange translation differences		**43.1**	21.9
Fair value gain / (loss) on net investment hedges		**5.4**	(0.1)
Movement in cash flow hedges		**3.9**	1.4
Related income tax	10	**(0.7)**	(0.3)
		51.6	23.0
Other comprehensive income for the year		**25.3**	43.9
Total comprehensive income for the year attributable to owners of the Company		**310.1**	273.9

The Notes on pages 148 to 186 form part of these Group accounts.

GROUP BALANCE SHEET

As at 31 March 2023

Company number: 647788

	Notes	2023 £m	2022 £m
Non-current assets			
Intangible assets	13	**704.8**	473.3
Property, plant and equipment	14	**186.3**	177.3
Right-of-use assets	15	**46.9**	45.8
Investment in joint venture	16	**1.5**	1.5
Other receivables	18	**6.5**	3.0
Retirement benefit net assets	9	**0.8**	0.3
Deferred tax assets	10	**6.9**	4.9
Total non-current assets		**953.7**	706.1
Current assets			
Inventories	17	**616.3**	529.5
Trade and other receivables	18	**692.0**	594.3
Cash and cash equivalents – cash and short-term deposits	21	**260.3**	257.9
Interest rate swaps	21	**–**	0.1
Other derivative assets	20	**1.8**	1.4
Current income tax receivables		**19.9**	11.9
Total current assets		**1,590.3**	1,395.1
Total assets		**2,544.0**	2,101.2
Current liabilities			
Trade and other payables	19	**(658.9)**	(584.1)
Cash and cash equivalents – bank overdrafts	21	**(139.8)**	(99.5)
Lease liabilities	15,21	**(14.6)**	(16.7)
Interest rate swaps	21	**–**	(0.2)
Other derivative liabilities	20	**(1.7)**	(3.2)
Provisions	23	**(1.8)**	(2.6)
Current income tax liabilities		**(22.1)**	(19.9)
Total current liabilities		**(838.9)**	(726.2)

	Notes	2023 £m	2022 £m
Non-current liabilities			
Other payables	19	**(9.3)**	(6.9)
Retirement benefit obligations	9	**(37.2)**	(12.7)
Borrowings	21	**(184.6)**	(151.7)
Lease liabilities	15,21	**(34.3)**	(32.0)
Provisions	23	**(4.7)**	(2.8)
Deferred tax liabilities	10	**(90.1)**	(60.4)
Total non-current liabilities		**(360.2)**	(266.5)
Total liabilities		**(1,199.1)**	(992.7)
Net assets		**1,344.9**	1,108.5
Equity			
Share capital and share premium	25	**283.3**	278.5
Own shares held by Employee Benefit Trust (EBT)	25	**(2.2)**	(3.0)
Other reserves	26	**108.8**	60.2
Retained earnings		**954.3**	772.8
Equity attributable to owners of the Company		**1,344.2**	1,108.5
Non-controlling interests		**0.7**	–
Total equity		**1,344.9**	1,108.5

The Notes on pages 148 to 186 form part of these Group accounts.

These Group accounts were approved by the Board of Directors on 23 May 2023 and signed on its behalf by:

Rona Fairhead
Chair

Simon Pryce
Chief Executive Officer

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Profit before tax		**371.5**	302.2
Depreciation and amortisation	2	**64.6**	63.7
Impairment of intangible assets	13	**7.1**	–
Loss on disposal of non-current assets		**4.4**	2.4
Equity-settled share-based payments	7,8	**14.2**	9.9
Net finance costs		**12.2**	7.1
Share of profit of and dividends received from joint venture	16	**(0.1)**	(0.3)
Increase in inventories		**(44.3)**	(102.1)
Increase in trade and other receivables		**(37.8)**	(96.5)
Increase in trade and other payables		**33.2**	103.8
Decrease in provisions		**(1.4)**	(1.7)
Defined benefit retirement contributions in excess of charge		**(10.6)**	(21.4)
Cash generated from operations		**413.0**	267.1
Interest received		**2.0**	1.0
Interest paid		**(14.6)**	(8.0)
Income tax paid		**(93.9)**	(57.1)
Net cash from operating activities		**306.5**	203.0
Cash flows from investing activities			
Acquisition of businesses	28	**(237.2)**	2.2
Cash and cash equivalents acquired with businesses	28	**12.7**	–
Total cash impact on acquisition of businesses		**(224.5)**	2.2
Purchase of intangible assets		**(27.5)**	(24.8)
Purchase of property, plant and equipment		**(18.6)**	(17.7)
Proceeds on sale of property, plant and equipment		**0.1**	–
Net cash used in investing activities		**(270.5)**	(40.3)

	Notes	2023 £m	2022 £m
Cash flows from financing activities			
Proceeds from the issue of share capital	25	**4.8**	3.0
Purchase of own shares by EBT		**(2.1)**	(2.9)
Loans drawn down		**83.2**	–
Loans repaid		**(58.1)**	(0.7)
Payment of lease liabilities		**(18.8)**	(17.8)
Dividends paid	12	**(88.6)**	(76.2)
Net cash used in financing activities		**(79.6)**	(94.6)
Net (decrease) / increase in cash and cash equivalents		**(43.6)**	68.1
Cash and cash equivalents at the beginning of the year		**158.4**	86.4
Effect of exchange rate changes		**5.7**	3.9
Cash and cash equivalents at the end of the year	21	**120.5**	158.4

The Notes on pages 148 to 186 form part of these Group accounts.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company						
	Share capital and share premium (Note 25) £m	Own shares held by EBT £m	Other reserves (Note 26) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 April 2021	275.5	(1.5)	37.6	587.8	899.4	–	899.4
Profit for the year	–	–	–	230.0	230.0	–	230.0
Remeasurement of retirement benefit obligations	–	–	–	21.8	21.8	–	21.8
Foreign exchange translation differences	–	–	21.9	–	21.9	–	21.9
Movement in cash flow hedges	–	–	1.4	–	1.4	–	1.4
Tax on other comprehensive income (Note 10)	–	–	(0.3)	(0.9)	(1.2)	–	(1.2)
Total comprehensive income	–	–	23.0	250.9	273.9	–	273.9
Cash flow hedging gains transferred to inventories	–	–	(0.5)	–	(0.5)	–	(0.5)
Tax on cash flow hedging gains transferred to inventories	–	–	0.1	–	0.1	–	0.1
Dividends (Note 12)	–	–	–	(76.2)	(76.2)	–	(76.2)
Equity-settled share-based payments (Notes 7 and 8)	–	–	–	9.9	9.9	–	9.9
Settlement of share awards	3.0	1.4	–	(1.4)	3.0	–	3.0
Purchase of own shares by EBT	–	(2.9)	–	–	(2.9)	–	(2.9)
Tax on equity-settled share-based payments	–	–	–	1.8	1.8	–	1.8
At 31 March 2022	278.5	(3.0)	60.2	772.8	1,108.5	–	1,108.5
Profit for the year	–	–	–	284.8	284.8	–	284.8
Remeasurement of retirement benefit obligations	–	–	–	(34.2)	(34.2)	–	(34.2)
Foreign exchange translation differences	–	–	48.4	–	48.4	–	48.4
Movement in cash flow hedges	–	–	3.9	–	3.9	–	3.9
Tax on other comprehensive income (Note 10)	–	–	(0.7)	7.9	7.2	–	7.2
Total comprehensive income	–	–	51.6	258.5	310.1	–	310.1
Cash flow hedging gains transferred to inventories	–	–	(3.7)	–	(3.7)	–	(3.7)
Tax on cash flow hedging gains transferred to inventories	–	–	0.7	–	0.7	–	0.7
Dividends (Note 12)	–	–	–	(88.6)	(88.6)	–	(88.6)
Equity-settled share-based payments (Notes 7 and 8)	–	–	–	14.2	14.2	–	14.2
Settlement of share awards	4.8	2.9	–	(2.9)	4.8	–	4.8
Purchase of own shares by EBT	–	(2.1)	–	–	(2.1)	–	(2.1)
Tax on equity-settled share-based payments	–	–	–	1.0	1.0	–	1.0
Sale of subsidiary's shares to non-controlling interests (Note 28)	–	–	–	(0.7)	(0.7)	0.7	–
At 31 March 2023	**283.3**	**(2.2)**	**108.8**	**954.3**	**1,344.2**	**0.7**	**1,344.9**

The Notes on pages 148 to 186 form part of these Group accounts.

NOTES TO THE GROUP ACCOUNTS

For the year ended 31 March 2023

1 Basis of preparation

RS Group plc (the Company) is a public limited company registered in England and Wales and listed on the London Stock Exchange.

The Group accounts for the year ended 31 March 2023 are presented in sterling and rounded to £0.1 million. They are prepared in accordance with UK-adopted international accounting standards (UK IAS) and the requirements of the Companies Act 2006.

The Group accounts have been prepared on a going concern basis (see the going concern statement on page 47) under the historical cost convention, modified by the revaluation of retirement benefit obligations and certain financial assets and liabilities (including derivative financial instruments) as explained in the relevant notes. The principal accounting policies have been applied consistently unless otherwise stated.

Basis of consolidation

The Group accounts comprise the results, assets and liabilities of the Company and all its subsidiaries (together referred to as the Group) and include the Employee Benefit Trust (EBT) and the Group's interest in a joint venture. Subsidiaries are entities controlled by the Company. The joint venture is accounted for using the equity method of accounting.

The results of businesses acquired in the year are consolidated from the effective date of acquisition. The net assets of businesses acquired are incorporated in the Group accounts at their fair values at the date of acquisition.

Intra-group transactions and balances are eliminated in preparing the Group accounts and no profit or loss is recognised on intra-group transactions. Unrealised gains or losses arising from transactions with the joint venture are eliminated to the extent of the Group's interest in the entity.

Estimates and judgements

The preparation of accounts in accordance with UK IAS requires the Group to make judgements and estimates that affect the application of accounting policies and 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 Group'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 Group's assets and liabilities within the next year. The significant estimates made in preparing the accounts were in relation to retirement benefit obligations and further details on the application of these estimates can be found in Note 9. While not significant estimates, the Group also focuses on estimates made in relation to inventories (Note 17), the fair values on acquisition of businesses (Note 28) and the review of intangibles and other assets for impairment (Notes 13 and 22). Further details are provided in the relevant notes.

Actual results in the longer term may differ from these estimates.

Foreign currency

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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rate ruling at the date the fair value was determined.

Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates ruling at the balance sheet date. The income statement and cash flows of foreign operations are translated at the average rate for the period.

Standards and interpretations adopted in the year

No accounting standards, amendments or revisions to existing standards or interpretations have become effective which have a material impact on the reported results or financial position of the Group.

Standards or interpretations issued but not yet applied

The Group does not consider that any standards or interpretations issued but not yet applicable will have a significant impact on the accounts.

NOTES TO THE GROUP ACCOUNTS CONTINUED
For the year ended 31 March 2023

2 Segmental reporting
The Group's operating segments comprise three regions: EMEA, Americas and Asia Pacific. Their principal activities are described on pages 37 to 39. The operating segments' performance is assessed on revenue and adjusted operating profit on a monthly basis by the chief operating decision maker, who is the Chief Executive Officer. Inter-segment pricing is determined on an arm's length basis, comprising sales of product at cost and a handling charge included within distribution and marketing expenses.

Year ended 31 March 2023	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Segmental operating profit	**275.8**	**148.5**	**38.4**	**462.7**
Central costs				**(60.5)**
Adjusted operating profit				**402.2**
Amortisation and impairment of acquired intangibles				**(16.6)**
Acquisition-related items (Note 3)				**(2.6)**
Operating profit				**383.0**
Net finance costs				**(12.2)**
Share of profit of joint venture				**0.7**
Profit before tax				**371.5**
Segmental capital expenditure	**34.9**	**7.1**	**0.4**	**42.4**
Central costs				**–**
Capital expenditure				**42.4**
Segmental depreciation and amortisation	**34.7**	**11.9**	**3.2**	**49.8**
Central costs				**1.5**
Amortisation of acquired intangibles				**13.3**
Depreciation and amortisation				**64.6**

Year ended 31 March 2022	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,579.5	718.7	255.5	2,553.7
Segmental operating profit	243.7	99.3	29.3	372.3
Central costs				(51.9)
Adjusted operating profit				320.4
Amortisation of acquired intangibles				(11.6)
Operating profit				308.8
Net finance costs				(7.1)
Share of profit of joint venture				0.5
Profit before tax				302.2
Segmental capital expenditure	36.6	8.8	0.1	45.5
Central costs				–
Capital expenditure				45.5
Segmental depreciation and amortisation	38.0	9.6	3.0	50.6
Central costs				1.5
Amortisation of acquired intangibles				11.6
Depreciation and amortisation				63.7

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

2 Segmental reporting continued

Disaggregation of revenue

In the table below, revenue is disaggregated by sales channels and also by own-brand products or other product and service solutions. The Group's largest own-brand is RS PRO. With the growing focus on value-creating service solutions, a new differentiating economic characteristic is now whether it is a service solution or not and so this has been added to the table. £2,901.2 million of revenue is recognised at a point in time (2021/22: £2,483.9 million) and £81.1 million over time (2021/22: £69.8 million).

Sales channel

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Web	**893.8**	**304.3**	**121.2**	**1,319.3**
eProcurement and other digital	**417.3**	**100.5**	**39.6**	**557.4**
Digital	**1,311.1**	**404.8**	**160.8**	**1,876.7**
Offline	**457.4**	**540.7**	**107.5**	**1,105.6**
Group	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Year ended 31 March 2022				
Web	781.7	241.8	121.8	1,145.3
eProcurement and other digital	344.6	69.8	33.9	448.3
Digital	1,126.3	311.6	155.7	1,593.6
Offline	453.2	407.1	99.8	960.1
Group	1,579.5	718.7	255.5	2,553.7

Own-brand / other products and service solutions

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Own-brand product and service solutions	**360.2**	**7.1**	**37.2**	**404.5**
Other product and service solutions	**1,408.3**	**938.4**	**231.1**	**2,577.8**
Group	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Year ended 31 March 2022				
Own-brand product and service solutions	300.2	4.8	34.0	339.0
Other product and service solutions	1,279.3	713.9	221.5	2,214.7
Group	1,579.5	718.7	255.5	2,553.7

Service solutions / other

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Service solutions	**519.3**	**166.0**	**48.7**	**734.0**
Other	**1,249.2**	**779.5**	**219.6**	**2,248.3**
Group	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Year ended 31 March 2022				
Service solutions	430.3	123.8	33.9	588.0
Other	1,149.2	594.9	221.6	1,965.7
Group	1,579.5	718.7	255.5	2,553.7

Revenue and non-current assets by geographical location

In the table below, revenue is based on the location of the Group operation where the sales originated and non-current assets are based on the location of the assets. Non-current assets exclude interest rate swaps, other financial instruments, retirement benefit net assets and deferred tax assets.

	Revenue		Non-current assets	
	2023 £m	2022 £m	**2023 £m**	2022 £m
UK (country of domicile)	**713.2**	646.7	**216.8**	232.9
US	**852.8**	672.7	**394.3**	378.5
France	**323.1**	285.5	**11.6**	9.1
Germany	**208.2**	190.5	**61.3**	59.5
Italy	**128.6**	116.9	**4.3**	5.0
Mexico	**46.5**	–	**231.5**	–
Rest of world	**709.9**	641.4	**20.0**	14.8
Group	**2,982.3**	2,553.7	**939.8**	699.8

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with UK IAS. Such APMs are not defined terms under UK IAS and are not intended to be a substitute for any UK IAS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community.

The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, number of trading days and items, such as reorganisation costs, that are substantial in scope and impact and do not form part of operational or management activities that the Directors would consider part of underlying performance. The Directors also believe that excluding recent acquisitions and acquisition-related items aid comparison of the underlying performance between reporting periods and between businesses with similar assets that were internally generated.

Adjusted profit measures

These are the equivalent UK IAS measures adjusted to exclude amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects. Adjusted profit before tax is a performance measure for the annual bonus and the all employee Long Term Incentive Plan (LTIP) called the RS YAY! Award. Adjusted earnings per share is a performance measure for the LTIP and Journey to Greatness (J2G) LTIP Award. Adjusted operating profit conversion, adjusted operating profit margin and adjusted earnings per share are financial key performance indicators (KPIs) which are used to measure the Group's progress in delivering the successful implementation of its strategy and monitor and drive its performance.

	Operating costs[1] £m	Operating profit £m	Operating profit margin[2] %	Operating profit conversion[3] %	Profit before tax £m	Profit for the year £m	Basic earnings per share p	Diluted earnings per share p
Year ended 31 March 2023								
Reported	**(969.2)**	**383.0**	**12.8%**	**28.3%**	**371.5**	**284.8**	**60.4p**	**60.2p**
Amortisation and impairment of acquired intangibles	**16.6**	**16.6**			**16.6**	**13.3**	**2.8p**	**2.8p**
Acquisition-related items	**2.6**	**2.6**			**2.6**	**2.1**	**0.4p**	**0.4p**
Adjusted	**(950.0)**	**402.2**	**13.5%**	**29.7%**	**390.7**	**300.2**	**63.6p**	**63.4p**
Year ended 31 March 2022								
Reported	(819.1)	308.8	12.1%	27.4%	302.2	230.0	48.9p	48.6p
Amortisation of acquired intangibles	11.6	11.6			11.6	11.5	2.4p	2.4p
Adjusted	(807.5)	320.4	12.5%	28.4%	313.8	241.5	51.3p	51.0p

1. Operating costs are distribution and marketing expenses plus administrative expenses.
2. Operating profit margin is operating profit expressed as a percentage of revenue.
3. Operating profit conversion is operating profit expressed as a percentage of gross profit.

Acquisition-related items comprise transaction costs directly attributable to the acquisition of businesses and any deferred consideration payments relating to the retention of former owners of acquired businesses.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs) continued

Like-for-like revenue and profit measures

Like-for-like revenue and profit measures are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. They exclude acquisitions in the relevant years until they have been owned for a year, at which point they start to be included in both the current and comparative years for the same number of months. These measures enable management and investors to track more easily, and consistently, the underlying performance of the business.

The principal exchange rates applied in preparing the Group accounts and in calculating the following like-for-like measures are:

	2023 Average	2023 Closing	2022 Average	2022 Closing
US dollar	1.206	1.239	1.366	1.313
Euro	1.158	1.137	1.176	1.183

Like-for-like revenue change

Like-for-like revenue change is also adjusted to eliminate the impact of trading days year on year. It is calculated by comparing the revenue of the base business for the current year with the prior year converted at the current year's average exchange rates and pro-rated for the same number of trading days as the current year. It is a performance measure for the annual bonus and a financial KPI.

	£m
Revenue for 2022	2,553.7
Effect of exchange rates	116.6
Effect of trading days	(10.6)
Revenue for 2022 at 2023 rates and trading days	2,659.7

	2023 Group £m	Less: acquisitions owned <1 year £m	2023 base business £m	2022 £m	2022 at 2023 rates and trading days £m	Like-for-like change %
EMEA	1,768.5	–	1,768.5	1,579.5	1,581.3	12%
Americas	945.5	46.9	898.6	718.7	813.2	11%
Asia Pacific	268.3	7.1	261.2	255.5	265.2	(2)%
Revenue	2,982.3	54.0	2,928.3	2,553.7	2,659.7	10%

Gross margin and like-for-like gross margin change

Gross margin is gross profit divided by revenue. Like-for-like change in gross margin is calculated by taking the difference between gross margin for the base business for the current year and gross margin for the prior year with revenue and gross profit converted at the current year's average exchange rates.

	2023 Group £m	Less: acquisitions owned <1 year £m	2023 base business £m	2022 £m	2022 at 2023 rates £m	Like-for-like change %
Revenue	2,982.3	54.0	2,928.3	2,553.7	2,670.3	
Gross profit	1,352.2	15.1	1,337.1	1,127.9	1,172.8	
Gross margin	45.3%	28.0%	45.7%	44.2%	43.9%	1.8 pts

Like-for-like profit change

Like-for-like change in profit is calculated by comparing the base business for the current year with the prior year converted at the current year's average exchange rates.

	2023 Group £m	Less: acquisitions owned <1 year £m	2023 base business £m	2022 £m	2022 at 2023 rates £m	Like-for-like change %
Segmental operating profit						
EMEA	275.8	–	275.8	243.7	246.8	12%
Americas	148.5	3.3	145.2	99.3	113.3	28%
Asia Pacific	38.4	0.6	37.8	29.3	30.9	22%
Segmental operating profit	462.7	3.9	458.8	372.3	391.0	17%
Central costs	(60.5)	–	(60.5)	(51.9)	(52.5)	15%
Adjusted operating profit	402.2	3.9	398.3	320.4	338.5	18%
Adjusted profit before tax	390.7	3.5	387.2	313.8	331.2	17%
Adjusted earnings per share	63.6p	0.4p	63.2p	51.3p	54.4p	16%
Adjusted diluted earnings per share	63.4p	0.4p	63.0p	51.0p		

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs) continued

Adjusted free cash flow and adjusted operating cash flow conversion

Adjusted free cash flow is net cash from operating activities less purchases of intangible assets, property, plant and equipment plus any proceeds on sale of intangible assets, property, plant and equipment, adjusted for the impact of substantial reorganisation and acquisition-related items cash flows and is a performance measure for the annual bonus.

Adjusted operating cash flow is adjusted free cash flow before income tax and net interest paid. Adjusted operating cash flow conversion is adjusted operating cash flow expressed as a percentage of adjusted operating profit and is a financial KPI.

	2023 £m	2022 £m
Net cash from operating activities	**306.5**	203.0
Purchase of intangible assets	**(27.5)**	(24.8)
Purchase of property, plant and equipment	**(18.6)**	(17.7)
Proceeds on sale of property, plant and equipment	**0.1**	–
Add back: impact of substantial reorganisation cash flows	**0.5**	2.4
Add back: impact of acquisition-related items cash flows	**2.6**	–
Adjusted free cash flow	**263.6**	162.9
Add back: income tax paid	**93.9**	57.1
Add back: net interest paid	**12.6**	7.0
Adjusted operating cash flow	**370.1**	227.0
Adjusted operating profit	**402.2**	320.4
Adjusted operating cash flow conversion	**92.0%**	70.8%

Earnings before interest, tax, depreciation and amortisation (EBITDA) and net debt to adjusted EBITDA

EBITDA is operating profit excluding depreciation and amortisation. Net debt to adjusted EBITDA (one of the Group's debt covenants) is the ratio of net debt to EBITDA excluding impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs.

	2023 £m	2022 £m
Operating profit	**383.0**	308.8
Add back: depreciation and amortisation	**64.6**	63.7
EBITDA	**447.6**	372.5
Add back: impairment of acquired intangibles	**3.3**	–
Add back: acquisition-related items	**2.6**	–
Adjusted EBITDA	**453.5**	372.5
Net debt (Note 21)	**113.0**	42.1
Net debt to adjusted EBITDA	**0.2x**	0.1x

Earnings before interest, tax and amortisation (EBITA) and EBITA to interest

EBITA is adjusted EBITDA after depreciation. EBITA to interest (one of the Group's debt covenants) is the ratio of EBITA to finance costs including capitalised interest less finance income.

	2023 £m	2022 £m
Adjusted EBITDA	**453.5**	372.5
Less: depreciation	**(36.2)**	(33.5)
EBITA	**417.3**	339.0
Finance costs	**14.2**	8.1
Less: finance income	**(2.0)**	(1.0)
Add back: capitalised interest	**–**	0.5
Interest (per debt covenants)	**12.2**	7.6
EBITA to interest	**34.2x**	44.6x

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs) continued

Return on capital employed (ROCE)

ROCE is adjusted operating profit expressed as a percentage of monthly average net assets excluding net debt and retirement benefit obligations and is an underpin for the LTIP and J2G LTIP Award and a financial KPI.

	2023 £m	2022 £m
Average net assets	**1,258.0**	982.8
Add back: average net debt	**25.6**	82.7
Add back: average retirement benefit net (assets) / obligations	**24.1**	49.3
Average capital employed	**1,307.7**	1,114.8
Adjusted operating profit	**402.2**	320.4
ROCE	**30.8%**	28.7%

Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables.

	2023 £m	2022 £m
Inventories	**616.3**	529.5
Current trade and other receivables	**692.0**	594.3
Current trade and other payables	**(658.9)**	(584.1)
Working capital	**649.4**	539.7
Revenue	**2,982.3**	2,553.7
Working capital as a percentage of revenue	**21.8%**	21.1%

Inventory turn

Inventory turn is cost of sales divided by inventories.

	2023 £m	2022 £m
Cost of sales	**1,630.1**	1,425.8
Inventories	**616.3**	529.5
Inventory turn	**2.6**	2.7

Ratio of capital expenditure to depreciation

Ratio of capital expenditure to depreciation is capital expenditure divided by depreciation and amortisation excluding amortisation of acquired intangibles and depreciation of right-of-use assets.

	2023 £m	2022 £m
Depreciation and amortisation	**64.6**	63.7
Less: amortisation of acquired intangibles	**(13.3)**	(11.6)
Less: depreciation of right-of-use assets	**(18.3)**	(17.7)
Adjusted depreciation and amortisation	**33.0**	34.4
Capital expenditure	**42.4**	45.5
Ratio of capital expenditure to depreciation	**1.3 times**	1.3 times

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

4 Revenue recognition

Revenue from the sale of goods is recognised in the income statement when control of the goods has transferred, which in most countries is contractually on delivery to the customer but in a few countries is contractually on collection from the Group's distribution centre by the delivery company. When the Group arranges the delivery of goods where control has transferred on collection, the customer is invoiced an amount to cover the cost of freight and this is included in revenue over time as the goods are shipped. Customers are invoiced on dispatch of the goods. Revenue is measured with reference to the amount invoiced to the customer, net of any immediate discounts applicable to the order. Obligations for retrospective customer volume discounts are calculated by estimating the expected discount percentage that will be achieved for the contractual period using historical data adjusted for current experience and applying that percentage to actual qualifying sales. When a customer has a right to return goods purchased, the Group estimates the obligation for the expected value of the refunds using recent experience. Obligations for both retrospective customer volume discounts and the expected value of refunds for returns are deducted from the revenue recognised when the goods are sold and included in other payables on the balance sheet and at 31 March 2023 were £18.1 million (2021/22: £15.0 million).

Revenue from the fees charged to customers for the provision of outsourced services is recognised either over time based on time elapsed for monthly management charges or when the related products are delivered for other management charges. Invoices are raised monthly for monthly management charges or when the invoices for the related products are invoiced for other management charges, normally on a weekly or monthly basis. The Group acts as an agent in relation to the products sourced for its customers under these outsourcing arrangements and so does not recognise the value of these products in revenue or cost of sales. Revenue is measured with reference to the amount invoiced to the customer for management charges. Income earned from suppliers for access to the Group's online procurement portals is recognised either over time based on time elapsed for subscription fees or as their products are delivered to the Group's customers for licence fees. Invoices are raised monthly, quarterly or annually in advance for subscription fees depending on contractual terms. Credit notes for licence fee income are received from suppliers depending on contractual terms with the least frequent being annual.

Revenue from the sale of calibration services is recognised when control of the services has transferred, which is upon delivery to the customer of the items which have been calibrated. Customers are invoiced on dispatch of the calibrated items. Revenue is measured with reference to the amount invoiced to the customer.

All revenue is recognised net of sales taxes and all payment terms are based on commercially reasonable terms for the respective markets and no element of financing is deemed present.

Remaining performance obligations (unsatisfied or partially unsatisfied) at the year end all relate to customer contracts that have an original expected duration of not more than one year or are invoiced based on time incurred. Therefore, as permitted under International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers', the transaction price allocated to these remaining performance obligations is not disclosed.

5 Cost of sales and operating profit

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

When a customer has a right to return goods, the Group estimates the expected value of the goods that are likely to be returned based on historical experience and the expected gross margin. It recognises an asset in other receivables for the right to recover these goods and deducts this from cost of sales when the goods are sold.

The Group 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 income statement in the period in which the inventories are expensed. The Group 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. The Group estimates whether the supplier rebates relate to products already sold or remaining in inventories, based on inventory turns. When estimating the value of supplier rebates earned but not yet received, the Group makes assumptions about the likely volume of eligible purchases to be made over the remaining rebate period. As at 31 March 2023, the Group has £4.2 million (2021/22: £4.5 million) of supplier rebates recognised within trade and other receivables.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

5 Cost of sales and operating profit continued

Operating profit is stated after charging / (crediting):

	2023 £m	2022 £m
Fees payable to the Company's Auditors for the audit of the Company and Group accounts	**0.9**	0.7
Fees payable to the Company's Auditors and their associates for other services:		
Audit of the Company's subsidiaries	**2.0**	1.3
Audit-related assurance services	**0.1**	0.1
Total fees payable to the Company's Auditors and their associates	**3.0**	2.1
Depreciation of property, plant and equipment	**17.9**	15.8
Amortisation of intangible assets included in:		
Distribution and marketing expenses	**15.1**	18.6
Administrative expenses	**13.3**	11.6
Amortisation of government grants	**(0.1)**	(0.1)
Loss on foreign exchange	**5.7**	5.9
Net losses / (gains) on forward foreign exchange contracts classified as fair value through profit or loss	**5.2**	(1.0)
Loss on disposal of intangible assets	**4.4**	2.1
Loss on disposal of property, plant and equipment	**–**	0.3

6 Finance income and costs

Finance costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Interest on financial assets and liabilities measured at amortised cost and on lease liabilities is calculated using the effective interest method and recognised in the income statement as incurred.

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

	2023 £m	2022 £m
Finance income		
Interest income on financial assets measured at amortised cost	**1.8**	0.4
Interest income on interest rate swaps	**0.2**	0.6
Finance income	**2.0**	1.0
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(9.5)**	(6.6)
Interest expense on lease liabilities	**(1.1)**	(0.9)
Interest expense on interest rate swaps	**(0.7)**	–
Interest on uncertain income tax positions	**(0.2)**	(0.2)
Invoice finance charges	**(2.7)**	(0.4)
Finance costs	**(14.2)**	(8.1)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

7 Employees

Average number of employees	2023	2022
Management and administration	**1,351**	1,430
Distribution and marketing	**6,467**	5,953
	7,818	7,383

Employment costs	2023 £m	2022 £m
Wages and salaries	**385.9**	317.3
Social security costs	**50.7**	40.3
Share-based payments – equity-settled (Note 8)	**14.2**	9.9
Share-based payments – cash-settled (Note 8)	**1.3**	3.7
Defined contribution retirement benefit costs (Note 9)	**19.5**	17.1
Defined benefit retirement benefit costs (Note 9)	**3.5**	4.3
	475.1	392.6
Termination benefits	**3.9**	3.2
Total	**479.0**	395.8

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 112 to 132.

8 Share-based payments

The Group operates share-based payment schemes which are the LTIPs, the Deferred Share Bonus Plan (DSBP) and the Savings-Related Share Option Scheme (SAYE).

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 in the income statement with a corresponding increase in equity on a straight-line basis over the period that employees become unconditionally entitled to the awards. The income statement charge is adjusted to reflect expected and actual levels of vesting associated with non-market performance related criteria.

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

The EBT established to administer the schemes owns shares in the Company which are shown in equity.

LTIPs – equity settled and cash settled

The Group's active LTIPs are granted under the 2019 LTIP, the 2022 LTIP, the J2G LTIP Award and the RS YAY! Award. Under these LTIPs, awards are made to plan participants subject to service conditions and performance conditions. Some of the awards are equity settled and some are cash settled. 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 (see the Directors' Remuneration Report for details) and a non-market performance condition based on cumulative growth in adjusted earnings per share (EPS) over the vesting period with a 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 (see the Directors' Remuneration Report for details) and a non-market performance condition based on the adjusted EPS compound annual growth rate (CAGR) over the vesting period with a ROCE underpin.

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

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

8 Share-based payments continued

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

The fair values of equity-settled LTIP awards were calculated at the grant date using the assumptions below, with the fair value of those subject to market performance conditions calculated using a Monte Carlo model.

	2023		2022	
Grant date	December 2022	July 2022	December 2021	June 2021
Market performance conditions				
Awards granted	**77,792**	**777,686**	35,159	568,179
Fair value at grant date	**471p**	**626p**	608p	586p
Assumptions used:				
Share price	**921p**	**979p**	1,168p	1,017p
Expected volatility	**32.8%**	**32.4%**	30.4%	31.5%
Expected life	**2 years 7 months**	**3 years**	2 years 5 months	3 years
Risk-free interest rate	**3.36%**	**1.75%**	0.51%	0.19%
Other conditions				
Awards granted	**243,911**	**4,009,281**	54,117	568,179
Fair value at grant date	**921p**	**979p**	1,168p	1,017p

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected life of the award. The risk-free interest rate represents the yield, at the grant date, of UK government bonds with duration commensurate to the expected life of the award.

The fair values of cash-settled LTIP awards at 31 March 2023 were:

	Awards granted	Fair value
November 2020 – Other conditions	**1,147**	**914p**
November 2020 – Market performance conditions	**1,147**	**–p**
June 2021 – Other conditions	**4,393**	**914p**
June 2021 – Market performance conditions	**4,393**	**–p**
July 2022 – Other conditions	**12,000**	**–p**
December 2022 – Other conditions	**1,300**	**–p**

The movements in the LTIP awards (equity and cash settled) were:

	2023 Number of awards	2022 Number of awards
Outstanding at 1 April	**3,940,677**	3,888,385
Forfeited during the year	**(1,293,879)**	(116,794)
Expired during the year	**(789,203)**	(463,084)
Exercised during the year	**(676,822)**	(602,250)
Granted during the year	**5,121,970**	1,234,420
Outstanding at 31 March	**6,302,743**	3,940,677

DSBP – equity settled

Under the DSBP, one-third of the total bonus earned by plan participants is awarded as shares 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. Deferred share awards relating to the bonus for the year ended 31 March 2023 are expected to be awarded in June 2023. The fair value of the shares awarded during the year was 1,005p (2021/22: 1,011p) per share award which was the share price at the date of award.

The movements in the DSBP awards were:

	2023 Number of awards	2022 Number of awards
Outstanding at 1 April	**259,570**	247,103
Forfeited during the year	**(17,766)**	–
Exercised during the year	**(189,422)**	(110,595)
Granted during the year	**171,803**	123,062
Outstanding at 31 March	**224,185**	259,570

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

8 Share-based payments continued

SAYE – equity settled and cash settled

The SAYE scheme is available to the majority of employees of the Group employed at the time that the invitation period commences. The UK element is equity settled and the overseas element is cash settled. The option price is based on the average market price of the 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. Under the UK element, 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. Under the overseas element, at the end of the savings period, the employee has six months to either exercise their options to receive cash equal to the difference between the market price and the option price or withdraw their savings with accrued interest. There are no market conditions attached to the vesting of the options.

The fair value of equity-settled SAYE options was calculated at the grant date using a Black-Scholes model, with the assumptions below.

	2023	2022	
Grant date	3 year December 2022	3 year September 2021	5 year September 2021
Options granted	**1,300,316**	544,216	83,697
Fair value at grant date	**325p**	349p	372p
Assumptions used:			
Share price	**944p**	1,108p	1,108p
Exercise price	**715p**	824p	824p
Expected volatility	**32.6%**	31.5%	30.3%
Expected option life	**3 years**	3 years	5 years
Expected dividend yield	**1.71%**	1.44%	1.44%
Risk-free interest rate	**3.16%**	0.30%	0.42%

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent three-year or five-year period as appropriate. Expected dividend yield was the annual dividend yield as at the grant date. The risk-free interest rate was the yield, at the grant date, of three-year or five-year (as applicable) UK government bonds.

The fair values of cash-settled SAYE options at 31 March 2023 are shown below and were calculated using a Black-Scholes model, using a share price of 914p, expected dividend yield of 1.86% and additional assumptions below.

	Options granted	Fair value	Exercise price	Expected volatility	Expected remaining option life	Risk-free interest rate
5 year June 2018	**35,052**	**354p**	**563p**	**29.5%**	**0.5 years**	**3.99%**
5 year September 2019	**99,256**	**475p**	**439p**	**32.5%**	**1.5 years**	**3.42%**
3 year September 2020	**389,066**	**345p**	**573p**	**29.5%**	**0.5 years**	**3.99%**
5 year September 2020	**19,798**	**369p**	**573p**	**28.8%**	**2.5 years**	**3.52%**
3 year September 2021	**222,284**	**195p**	**824p**	**32.5%**	**1.5 years**	**3.42%**
5 year September 2021	**11,939**	**259p**	**824p**	**32.4%**	**3.5 years**	**3.37%**
3 year December 2022	**518,735**	**308p**	**715p**	**29.7%**	**2.8 years**	**3.52%**

Expected volatility is estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected remaining life of the option. Expected dividend yield is the annual dividend yield as at the year end. The risk-free interest rate is the yield, at the year end, of UK government bonds with duration commensurate to the expected remaining life of the option.

The movements in and weighted average exercise price of the SAYE options (equity and cash settled) were:

	2023 Weighted average exercise price	2023 Number of options	2022 Weighted average exercise price	2022 Number of options
Outstanding at 1 April	**564p**	**3,850,612**	496p	4,255,490
Forfeited during the year	**594p**	**(154,098)**	513p	(254,408)
Expired during the year	**729p**	**(147,083)**	538p	(272,929)
Exercised during the year	**442p**	**(1,312,146)**	497p	(739,677)
Granted during the year	**715p**	**1,819,051**	824p	862,136
Outstanding at 31 March	**662p**	**4,056,336**	564p	3,850,612
Exercisable at 31 March	**438p**	**171,214**	497p	6,669

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

8 Share-based payments continued

SAYE options outstanding at the year end were:

	2023	2022
Option prices:		
£2.00-£2.99	**1,310**	1,310
£4.00-£4.99	**488,139**	1,817,577
£5.00-£5.99	**1,090,103**	1,203,013
£7.00-£7.99	**1,778,421**	–
£8.00-£8.99	**698,363**	828,712
	4,056,336	3,850,612
Weighted average remaining contractual life (in years)	**1.91**	1.63
Weighted average share price during period of exercise	**954p**	1,097p

9 Retirement benefit obligations

For defined benefit schemes, 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 obligations at the balance sheet date. The present value of the obligations is calculated by independent actuaries using the projected unit credit method. It is determined by discounting estimated future cash outflows using a discount rate reflecting yields on high-quality corporate bonds with terms approximating the terms of the related obligation. The operating profit charge comprises the current service cost, net interest cost, past service costs, administrative expenses, 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 arising from changes in demographic and financial assumptions and experience adjustments, are recognised in other comprehensive income.

The Group's largest defined benefit pension scheme is in the UK, providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2003. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. The Group also has defined benefit pension schemes in Germany and the Republic of Ireland, which are closed to both new members and accruals for future service, and defined benefit retirement indemnity schemes in France and Italy.

For defined contribution schemes, the costs are charged to operating profit as they fall due. The Group has defined contribution schemes in the UK, Australia, North America, Germany and the Republic of Ireland. The Group contributes to government schemes in France, Italy, Scandinavia and Asia and these are defined contribution schemes. The Group also makes payments to employees' personal pensions in the UK when their employing company does not provide defined benefit or defined contribution schemes.

Regulatory framework and governance

The UK scheme, the RS Group Pension Scheme (formerly Electrocomponents Group Pension Scheme), is a registered scheme established under trust law and, as such, is subject to UK pension, tax and trust legislation. It is managed by a corporate trustee, RS Group Pension Trustees Limited (formerly Electrocomponents Pension Trustees Limited) (the Trustee). The Trustee includes representatives appointed by both the Company and members. Although the Company bears the financial cost of the scheme, the Trustee directors are responsible for the overall management of the scheme including compliance with applicable regulations and legislation. The Trustee directors are required by law to act in the interest of all relevant beneficiaries and to set certain policies, to manage the day-to-day administration of the benefits and to set the scheme investment strategy in consultation with the Company.

UK pensions are regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website: www.thepensionsregulator.gov.uk.

Deficit position and funding

The rules of the RS Group Pension Scheme give the Trustee powers to wind up the scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. Although the scheme was in deficit on a statutory funding basis at 31 March 2022, the Trustee and the Company agreed a plan to eliminate the deficit over time and the Trustee has confirmed that it has no current intention to exercise its power to wind up the scheme.

The funding of the UK scheme is assessed using assumptions in accordance with the advice of independent actuaries. These assumptions may be different to those used for the accounting valuation. The last triennial funding valuation was carried out as at 31 March 2022 and showed a deficit of £36.4 million on a statutory technical provisions basis. Under the associated recovery plan, the Group agreed to make deficit contributions of £11.1 million per annum with the aim that the scheme will be fully funded on a statutory technical provisions basis by 30 September 2025.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

Based on the UK scheme's rules, the Group does not have an unconditional right to any surplus that may arise on the scheme and so IFRIC 14 applies. At 31 March 2023, the defined benefit net asset has been restricted to £nil (2021/22: £nil) and an additional liability of £26.2 million (2021/22: £nil) has been recognised which is equal to the present value of the agreed future deficit contributions under the recovery plan.

Based on the funding position as at 31 March 2023, in the year ending 31 March 2024 the Group expects to pay £13.2 million of contributions to the UK scheme, including £11.1 million of deficit contribution payments, and £0.5 million to the other defined benefit schemes.

Investment strategy and risk exposure

The defined benefit schemes expose the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. The approach for managing the UK scheme's risks is set out below.

Interest rate risk

The Trustee has set a benchmark for total investment in bonds (government and corporate), interest rate swaps, inflation swaps, gilt repurchase agreements and cash as part of its matching asset portfolio (comprising the qualifying investor alternative investment fund (QIAIF), a bespoke pooled structure in which the scheme is the sole investor). Under this strategy, if gilt yields fall, the value of the investments within the matching asset portfolio will rise to help match the increase in the valuation of the liabilities arising from a fall in the discount rate, which is derived from gilt yields. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate.

Inflation risk

The scheme holds index-linked gilts, inflation swaps and repurchase agreements to manage against inflation risk associated with pension liability increases.

Longevity risk

Prudent mortality assumptions are used that appropriately allow for future improvements in life expectancy. These assumptions are reviewed on a regular basis to ensure they remain appropriate. The Trustee uses the Club Vita Service to provide a better estimate of the mortality rates of the scheme's membership than the standard tables. With effect from 1 June 2008, the scheme introduced a mortality risk sharing mechanism whereby members' benefits for pensionable service after that date will be reduced if the life expectancy of the scheme's members increases more quickly than a pre-determined rate.

Assumptions

Financial assumptions

The principal assumptions used to determine the defined benefit obligations were:

	2023		2022	
	UK	**Other**	UK	Other
Discount rate	**4.90%**	**3.66%**	2.80%	1.79%
Rate of increase in pensionable salaries	**Nil**	**1.04%**	Nil	3.10%
Rate of RPI inflation	**3.30%**	**2.34%**	3.80%	2.03%
Rate of CPI inflation	**2.80%**	**2.34%**	3.20%	2.03%
Rate of pension increases				
RPI inflation capped at 5.0% p.a.	**3.05%**	**n/a**	3.35%	n/a
RPI inflation capped at 2.5% p.a.	**2.05%**	**n/a**	2.15%	n/a

Life expectancy assumptions

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

	2023 Years	2022 Years
Member aged 65 (current life expectancy) – male	**21.9**	22.4
Member aged 65 (current life expectancy) – female	**23.3**	23.8
Member aged 45 (life expectancy at aged 65) – male	**23.3**	22.9
Member aged 45 (life expectancy at aged 65) – female	**25.8**	25.1

At 31 March 2023, the weighted average duration of the UK defined benefit obligation was 14 years (2021/22: 18 years).

Sensitivity analysis of the impact of changes in key assumptions

The calculations of the defined benefit obligations are sensitive to the assumptions used. The sensitivity analysis below is based on a change in the assumption on the UK scheme while holding all other assumptions constant; in practice changes in some of the assumptions may be correlated.

A change would have the following increase / (decrease) on the UK defined benefit obligations as at 31 March 2023:

	Increase in assumption £m	Decrease in assumption £m
Effect on obligation of a 0.5 pts change to the assumed discount rate	**(25.9)**	**28.9**
Effect on obligation of a 0.1 pts change in the assumed inflation rate	**4.9**	**(4.8)**
Effect on obligation of a change of one year in assumed life expectancy	**11.1**	**(11.1)**

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

Income statement

The net charge / (credit) recognised in operating profit for retirement benefit obligations was:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Current service cost	2.0	0.3	2.3	2.5	0.3	2.8
Past service cost	–	–	–	–	(0.1)	(0.1)
Interest expense on obligation	15.4	0.3	15.7	12.7	0.2	12.9
Interest income on scheme assets	(16.3)	(0.1)	(16.4)	(12.0)	(0.1)	(12.1)
Interest expense on asset ceiling / onerous liability	0.7	–	0.7	–	–	–
Administrative expenses	1.2	–	1.2	0.8	–	0.8
Total charge for defined benefit schemes	3.0	0.5	3.5	4.0	0.3	4.3
Total charge for defined contribution schemes and personal pensions	8.9	10.6	19.5	8.4	8.7	17.1

Balance sheet

The amounts included in the balance sheet arising from the Group's assets / (obligations) in respect of its defined benefit schemes was:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Fair value of scheme assets	425.4	6.6	432.0	585.7	7.6	593.3
Present value of defined benefit obligations	(390.5)	(16.8)	(407.3)	(560.8)	(20.0)	(580.8)
Effect of asset ceiling / onerous liability	(61.1)	–	(61.1)	(24.9)	–	(24.9)
Retirement benefit obligations	(26.2)	(10.2)	(36.4)	–	(12.4)	(12.4)
Amount recognised on the balance sheet – liability	(26.2)	(11.0)	(37.2)	–	(12.7)	(12.7)
Amount recognised on the balance sheet – asset	–	0.8	0.8	–	0.3	0.3

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

The other defined benefit schemes were:

	2023 Fair value of scheme assets £m	2023 Present value of defined benefit obligations £m	2023 Retirement benefit obligations £m	2022 Fair value of scheme assets £m	2022 Present value of defined benefit obligations £m	2022 Retirement benefit obligations £m
Germany's defined benefit pension scheme	**–**	**(7.1)**	**(7.1)**	–	(8.5)	(8.5)
Republic of Ireland's defined benefit pension scheme	**6.6**	**(5.8)**	**0.8**	7.6	(7.3)	0.3
France's defined benefit retirement indemnity scheme	**–**	**(3.0)**	**(3.0)**	–	(3.2)	(3.2)
Italy's defined benefit retirement indemnity scheme	**–**	**(0.9)**	**(0.9)**	–	(1.0)	(1.0)
Other	**6.6**	**(16.8)**	**(10.2)**	7.6	(20.0)	(12.4)

Movements in the present value of the defined benefit obligations in the year were:

	2023 UK £m	2023 Other £m	2023 Total £m	2022 UK £m	2022 Other £m	2022 Total £m
At 1 April	**560.8**	**20.0**	**580.8**	614.0	22.6	636.6
Current service cost	**2.0**	**0.3**	**2.3**	2.5	0.3	2.8
Past service cost	**–**	**–**	**–**	–	(0.1)	(0.1)
Interest expense	**15.4**	**0.3**	**15.7**	12.7	0.2	12.9
Insurance premiums for risk benefits	**–**	**–**	**–**	(0.1)	–	(0.1)
Effect of changes in demographic assumptions	**(17.8)**	**0.3**	**(17.5)**	–	–	–
Effect of changes in financial assumptions	**(176.1)**	**(4.9)**	**(181.0)**	(54.0)	(1.7)	(55.7)
Effect of experience adjustments	**24.3**	**0.7**	**25.0**	3.1	(0.6)	2.5
Benefits paid	**(18.1)**	**(0.6)**	**(18.7)**	(17.4)	(0.5)	(17.9)
Exchange differences	**–**	**0.7**	**0.7**	–	(0.2)	(0.2)
At 31 March	**390.5**	**16.8**	**407.3**	560.8	20.0	580.8

Of the UK scheme's present value of the defined benefit obligations, £33.8 million (2021/22: £66.0 million) relates to active members, £153.3 million (2021/22: £240.0 million) to vested deferred members and £203.3 million (2021/22: £254.8 million) to retirees.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

Movements in the fair value of the schemes' assets in the year were:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	**585.7**	**7.6**	**593.3**	572.8	8.1	580.9
Interest income	**16.3**	**0.1**	**16.4**	12.0	0.1	12.1
Return on scheme assets (excluding interest income)	**(170.7)**	**(1.5)**	**(172.2)**	(6.1)	(0.4)	(6.5)
Contributions by company	**13.4**	**0.7**	**14.1**	25.3	0.4	25.7
Benefits paid	**(18.1)**	**(0.6)**	**(18.7)**	(17.4)	(0.5)	(17.9)
Administrative expenses	**(1.2)**	**–**	**(1.2)**	(0.8)	–	(0.8)
Insurance premiums for risk benefits	**–**	**–**	**–**	(0.1)	–	(0.1)
Exchange differences	**–**	**0.3**	**0.3**	–	(0.1)	(0.1)
At 31 March	**425.4**	**6.6**	**432.0**	585.7	7.6	593.3

The fair values of the schemes' assets were:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
QIAIF (liability driven investment and credit portfolio of quoted assets)	**281.4**	**–**	**281.4**	400.0	–	400.0
Quoted equities	**–**	**2.4**	**2.4**	–	2.5	2.5
Quoted debt instruments	**63.1**	**4.1**	**67.2**	94.0	5.1	99.1
Unquoted debt instruments	**80.1**	**–**	**80.1**	91.5	–	91.5
Cash	**0.8**	**0.1**	**0.9**	0.2	–	0.2
Total market value of scheme assets	**425.4**	**6.6**	**432.0**	585.7	7.6	593.3

The defined benefit schemes do not invest in the Company and no property or other assets owned by the schemes are used by the Group.

The fair values of the unquoted debt instruments are determined by the fund managers using quoted prices for similar assets or other valuation techniques where all the inputs are directly observable or indirectly observable from market data.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

Movements in the effect of asset ceiling / onerous liability were:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	**24.9**	**–**	**24.9**	–	–	–
Interest expense	**0.7**	**–**	**0.7**	–	–	–
Change in asset ceiling / onerous liability (excluding interest expense)	**35.5**	**–**	**35.5**	24.9	–	24.9
At 31 March	**61.1**	**–**	**61.1**	24.9	–	24.9

10 Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Group recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

No deferred tax liabilities are recognised on the initial recognition of goodwill. However, when goodwill arises in a jurisdiction where it is deductible in determining taxable profit, the amortisation for tax purposes of goodwill creates a taxable temporary difference and this resulting deferred tax liability is recognised.

The Group recognises a current tax provision when the Group has a present obligation as a result of a past event, and it is considered probable that there will be a future outflow of funds. As an international business, the Group is exposed to the income tax laws of the large number of jurisdictions in which it operates. These laws are complex and subject to different interpretations by taxpayers and tax authorities. The assessment of uncertain tax positions is subjective. It is based on the Group's interpretation of country-specific tax law and its application and interaction, on previous experience and on management's professional judgement supported by external advisors where necessary.

The Group estimates a provision for uncertain tax positions by making judgements about the position likely to be taken by each tax authority. Where it is considered probable that the tax authority will accept the tax treatment used, or expected to be used, in the income tax return, the accounts reflect the treatment in the return. Where it is not considered probable that the tax authority will accept the tax treatment, the tax amounts in the accounts reflect that uncertainty using either the most likely amount or the expected value amount depending on which method is expected to reflect the resolution of that uncertainty better.

Provisions for uncertain tax positions are included within current tax liabilities. The Group's uncertain tax positions principally relate to cross-border transfer pricing. As at 31 March 2023, the total value of these tax provisions was £10.6 million (2021/22: £8.3 million). It is possible that the amounts paid will be different from the amounts provided but this is not expected to be material.

Tax expense / (income) recognised in the income statement

	2023 £m	2022 £m
Current tax		
Current tax on profits for the year	**89.5**	72.4
Adjustments for prior years	**(0.6)**	(0.6)
Total current tax	**88.9**	71.8
Deferred tax		
Origination and reversal of temporary differences	**(2.4)**	(4.5)
Changes in tax rates and laws	**(0.5)**	4.9
Adjustments for prior years	**0.7**	–
Total deferred tax	**(2.2)**	0.4
Income tax expense	**86.7**	72.2

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

10 Taxation continued

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

	2023 £m	2022 £m
Profit before tax	**371.5**	302.2
Expected tax charge at UK corporation tax rate of 19% (2022: 19%)	**70.6**	57.4
Recurring items		
Differences in overseas corporation tax rates	**12.3**	8.7
Impact of tax losses	**(0.2)**	(0.6)
Items not taxable for tax purposes	**(1.2)**	(0.8)
Items not deductible for tax purposes	**4.1**	1.9
Other local taxes suffered overseas	**1.0**	0.9
Non-recurring items		
Changes in tax rates and laws	**(0.5)**	4.9
Movement in uncertain tax provisions in current year	**1.7**	1.6
Movement in uncertain tax provisions for prior years	**(1.2)**	(1.2)
Prior year adjustments	**0.1**	(0.6)
	86.7	72.2

The Group's effective tax rate reflects the impact of higher tax rates in overseas jurisdictions where the Group earns profit. Based on current business plans, the mix of profits is not expected to change significantly in the future.

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 various governments around the world have issued, or are in the process of issuing, legislation on this. In the UK, the government released draft legislation on Pillar Two in July 2022 and updated it in March 2023. The Group is in the process of assessing the full impact of this, however it is not expected to have a material impact.

Tax expense / (income) recognised directly in other comprehensive income

	2023 £m	2022 £m
Relating to remeasurement of retirement benefit obligations	**(7.9)**	0.9
Relating to movement in cash flow hedges	**0.7**	0.3
	(7.2)	1.2

Movement in deferred tax assets and liabilities

	Intangible assets (excluding goodwill), leases and property, plant and equipment £m	Goodwill £m	Retirement benefit obligations £m	Employee benefits £m	Tax losses £m	Other £m	Net tax (liabilities) / assets £m
At 1 April 2021	(25.0)	(45.8)	10.7	6.0	3.7	2.4	(48.0)
Credit / (charge) to income	0.7	(0.1)	(3.3)	2.9	(0.7)	0.1	(0.4)
Recognised directly in equity	–	–	(5.2)	0.8	–	(0.2)	(4.6)
Translation differences	(0.6)	(2.3)	–	0.2	–	0.2	(2.5)
At 31 March 2022	(24.9)	(48.2)	2.2	9.9	3.0	2.5	(55.5)
Acquisitions (Note 28)	(32.2)	–	–	–	–	1.6	(30.6)
Credit / (charge) to income	0.4	(0.1)	0.6	2.5	(0.2)	(1.0)	2.2
Recognised directly in equity	–	–	5.8	(0.5)	–	–	5.3
Translation differences	(2.1)	(2.9)	0.1	0.1	–	0.2	(4.6)
At 31 March 2023	**(58.8)**	**(51.2)**	**8.7**	**12.0**	**2.8**	**3.3**	**(83.2)**

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

10 Taxation continued

Analysed in the balance sheet as:

	2023 £m	2022 £m
Deferred tax assets	**6.9**	4.9
Deferred tax liabilities	**(90.1)**	(60.4)
	(83.2)	(55.5)

A deferred tax asset has been recognised for tax losses where current projections show that sufficient taxable profits will arise in the near future against which these losses may be offset. A deferred tax asset has not been recognised in respect of carry-forward tax losses where recoverability is uncertain totalling £0.7 million (2021/22: £1.6 million) which carries no expiry date.

11 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year excluding shares held by the EBT.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume the conversion of all potentially dilutive ordinary shares. The share-based payment schemes which result in the issue of shares at a value below the market price of the shares are potentially dilutive.

	2023 Number	2022 Number
Weighted average number of shares	**471,717,928**	470,552,792
Dilutive effect of share-based payments	**1,194,205**	2,669,271
Diluted weighted average number of shares	**472,912,133**	473,222,063
Basic earnings per share	**60.4p**	48.9p
Diluted earnings per share	**60.2p**	48.6p

12 Dividends

	2023 £m	2022 £m
Final dividend for the year ended 31 March 2022 – 11.6p (2021: 9.8p)	**54.6**	46.1
Interim dividend for the year ended 31 March 2023 – 7.2p (2022: 6.4p)	**34.0**	30.1
	88.6	76.2

The trustees of the EBT have waived their right to receive dividends and this rounds to £nil (2021/22: £nil).

A proposed final dividend for the year ended 31 March 2023 of 13.7p is subject to approval by shareholders at the Annual General Meeting on 13 July 2023 and the estimated amount to be paid of £64.7 million has not been included as a liability in these accounts.

13 Intangible 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). Goodwill is not amortised but is reviewed annually for impairment. Acquisition-related costs are charged to the income statement as incurred.

Intangible assets excluding goodwill are stated at cost, or fair value at the date of acquisition, less accumulated amortisation and any provisions for impairment. Residual value is reassessed annually. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Amortisation is calculated to write off the cost on a straight-line basis over the following useful lives (and the corresponding annual rates) from the date the assets are first available for use: software 2 – 11 years (9% – 50%); development expenditure 3 years (33%); brand 10 years (10%); customer contracts, relationships and distribution agreements 4 – 15.5 years (6% – 25%); and acquired research 3 years (33%).

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

13 Intangible assets continued

	Goodwill £m	Software £m	Development expenditure £m	Brand £m	Customer contracts, relationships and distribution agreements £m	Acquired research £m	Total £m
Cost							
At 1 April 2021	317.6	322.0	1.8	4.0	85.1	1.1	731.6
Additions – internally generated	–	7.0	–	–	–	–	7.0
Additions – other	–	17.7	–	–	–	–	17.7
Disposals	–	(22.2)	–	–	–	–	(22.2)
Translation differences	12.9	1.7	–	–	1.2	–	15.8
At 31 March 2022	330.5	326.2	1.8	4.0	86.3	1.1	749.9
Acquisitions (Note 28)	111.8	–	–	–	107.8	–	219.6
Additions – internally generated	–	10.8	–	–	–	–	10.8
Additions – other	–	14.6	–	–	–	–	14.6
Disposals	–	(10.2)	–	(4.0)	–	–	(14.2)
Reclassifications	–	(0.6)	–	–	–	–	(0.6)
Translation differences	21.0	2.7	–	–	5.7	–	29.4
At 31 March 2023	**463.3**	**343.5**	**1.8**	**–**	**199.8**	**1.1**	**1,009.5**
Amortisation							
At 1 April 2021	–	250.8	0.1	0.1	14.1	0.1	265.2
Charge for the year	–	18.8	0.6	0.4	10.0	0.4	30.2
Disposals	–	(20.1)	–	–	–	–	(20.1)
Translation differences	–	1.2	–	–	0.1	–	1.3
At 31 March 2022	–	250.7	0.7	0.5	24.2	0.5	276.6
Charge for the year	–	14.5	0.7	0.2	12.7	0.3	28.4
Impairment losses	–	3.8	–	3.3	–	–	7.1
Disposals	–	(5.8)	–	(4.0)	–	–	(9.8)
Translation differences	–	2.1	–	–	0.3	–	2.4
At 31 March 2023	**–**	**265.3**	**1.4**	**–**	**37.2**	**0.8**	**304.7**
Net book value							
At 31 March 2023	**463.3**	**78.2**	**0.4**	**–**	**162.6**	**0.3**	**704.8**
At 31 March 2022	330.5	75.5	1.1	3.5	62.1	0.6	473.3

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

13 Intangible assets continued

As at 31 March 2023, the cost and accumulated amortisation of internally generated intangible assets included in software were £68.5 million and £41.9 million (2021/22 restated: £57.2 million and £35.4 million) respectively. All development expenditure is internally generated.

At 31 March 2023, there were no material individual software assets (2021/22: none). Material individual customer contracts, relationships and distribution agreements are from the acquisitions of IESA, Synovos and Risoul with net book values of £19.8 million, £18.6 million and £108.0 million respectively (2021/22: £24.2 million, £21.2 million and £nil) and remaining useful lives of 2 to 5 years, 5 years and 2 to 15 years respectively.

Goodwill is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies arising as a result of the acquisition, with £410.2 million (2021/22: £280.7 million) relating to the Americas CGU, £49.7 million (2021/22: £49.8 million) relating to the EMEA CGU and £3.4 million (2021/22: £nil) relating to the Asia Pacific CGU.

The Group reviews its intangible assets regularly to assess if there are any indications the assets may be impaired. In addition, goodwill and any other intangible assets that are not yet being amortised are subject to annual impairment reviews.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. The recoverable amount is calculated as the higher of fair value less costs of disposal and value in use. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

As a result of the rebranding of Needlers to RS Safety Solutions effective from 1 November 2022, the net book value of the Needlers brand acquired in December 2020 was impaired by £3.3 million and then written off. This impairment is included in amortisation and impairment of acquired intangibles.

The software impairments relate to software that is not being used and are included in distribution and marketing expenses in EMEA.

For the goodwill impairment reviews, the recoverable amount of the CGUs is based on value-in-use calculations, which use cash flow projections based on the Group's annual targets and strategic plan which cover the next five years. When the strategic plan was prepared it took into account expected increases in costs of products and overheads including those related to climate change as well as expected benefits from the introduction of the Group's more sustainable product range and ESG solutions business. The strategic plan is also used as the basis for the viability statement. Judgements made are for the main assumptions used in determining the revenue and gross margin growth rates. These are determined using internal forecasts based upon historical growth rates and future medium-term plans which consider and are consistent with relevant macroeconomic indicators.

The cash flows from the strategic plan are extrapolated using the relevant long-term growth rate for the CGU and discounted at the Group's externally sourced pre-tax weighted average cost of capital (including lease liabilities) adjusted for the estimated tax cash flows and risk applicable for the CGU to estimate cash flow projections. These cash flow projections are adjusted to take account of the likely future capital expenditure costs of meeting our climate change commitments consistent with the Group's climate scenario analysis of physical and transition risk impacts conducted for the Task Force on Climate-related Financial Disclosures (TCFD).

For the Americas CGU, the long-term growth rate is 1.8% (2021/22: 1.7%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for Americas. The nominal pre-tax discount rate is 11.6% (2021/22: 6.4%).

For the EMEA CGU, the long-term growth rate is 1.7% (2021/22: 1.5%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for EMEA. The nominal pre-tax discount rate is 11.6% (2021/22: 8.3%).

For the Asia Pacific CGU, the long-term growth rate is 2.0% which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for Asia Pacific. The nominal pre-tax discount rate is 16.3%.

There is significant headroom between the carrying amount and the value in use of the CGUs (over 100%), therefore the Directors believe that currently all reasonably likely changes in the key assumptions referred to above would not give rise to an impairment charge.

14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment after taking account of any impact of the Group's strategy related to climate change. The cost of self-constructed assets includes the cost of materials, direct labour and certain direct overheads.

No depreciation has been charged on freehold land. Other assets are depreciated to residual value, which is reassessed annually, on a straight-line basis over the following useful lives (and the corresponding annual rates): freehold buildings and improvements to leasehold buildings 50 years (2%) (or the lease term if shorter); plant and machinery 5 – 20 years (5% – 20%); and computer equipment 3 – 5 years (20% – 33%). This reassessment includes consideration of the Group's climate scenario analysis of physical and transition risk impacts conducted for the TCFD.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

14 Property, plant and equipment continued

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost				
At 1 April 2021	150.7	208.8	82.0	441.5
Additions	3.7	16.1	1.0	20.8
Disposals	(0.5)	(0.5)	(21.2)	(22.2)
Translation differences	1.7	1.7	0.6	4.0
At 31 March 2022	155.6	226.1	62.4	444.1
Acquisitions	1.5	1.0	0.4	2.9
Additions	1.8	10.9	4.3	17.0
Disposals	–	(0.7)	(2.3)	(3.0)
Reclassifications	–	(0.1)	0.7	0.6
Translation differences	4.8	4.6	1.5	10.9
At 31 March 2023	**163.7**	**241.8**	**67.0**	**472.5**
Depreciation				
At 1 April 2021	53.0	144.5	73.8	271.3
Charge for the year	3.2	8.2	4.4	15.8
Disposals	(0.5)	(0.5)	(20.9)	(21.9)
Translation differences	0.3	0.7	0.6	1.6
At 31 March 2022	56.0	152.9	57.9	266.8
Charge for the year	3.6	10.3	4.0	17.9
Disposals	–	(0.6)	(2.3)	(2.9)
Translation differences	1.2	1.9	1.3	4.4
At 31 March 2023	**60.8**	**164.5**	**60.9**	**286.2**
Net book value				
At 31 March 2023	**102.9**	**77.3**	**6.1**	**186.3**
At 31 March 2022	99.6	73.2	4.5	177.3

Included above are £2.2 million of property, plant and equipment under construction at 31 March 2023 (2021/22: £8.8 million).

Finance costs capitalised were £nil (2021/22: £0.5 million calculated using a capitalisation rate of 2.2%).

15 Leases

The Group assesses at the inception of a contract whether the contract is, or contains, a lease. Where it conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is deemed to be, or to include, a lease. The Group leases various properties, plant and machinery, computer equipment and vehicles typically for periods between 2 and 20 years. Where a contract includes a vehicle lease, the Group has elected to account for the non-lease components as part of the lease. Extension and termination options are included in some leases. Where the Group determines, at the commencement date of each lease, that it is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease, the additional period is included within the lease term.

Leases are recognised on the balance sheet at their commencement date as a liability representing the present value of the future lease payments not yet paid and a right-of-use asset reflecting the future benefit to the Group generated by using the underlying asset. The discount on the lease liability is calculated using the Group's incremental borrowing rate, as rates implicit in the Group's leases cannot be readily determined, and is charged to finance costs in the income statement as it unwinds. The Group's incremental borrowing rate is adjusted to take account of the country risk, lease term and start date for each lease. Fixed payments less any lease incentives receivable, in-substance fixed payments and variable payments based on an index or rate form part of the lease liability. Variable payments which are not based on an index or rate are expensed when the event that triggers the payment occurs.

The right-of-use asset is stated at cost less accumulated depreciation and any provisions for impairment. Initially the cost of the right-of-use asset comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement of the lease less any lease incentives received, plus any direct costs incurred and an estimate of the cost to restore the underlying asset. The right-of-use asset is depreciated on a straight-line basis over the lease term (or useful life of the asset, if shorter), which is reassessed as the underlying facts and circumstances of the lease change.

The Group has elected to not recognise the lease liability and right-of-use asset in respect of short-term leases and leases of low-value assets on the balance sheet. Short-term leases and leases of low-value assets are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is remeasured when there is a change in the future lease payments or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset. If the carrying value of the right-of-use asset is reduced to zero, any further reductions are recognised in the income statement.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

15 Leases continued

The amounts recognised relating to leases were:

	2023 £m	2022 £m
Right-of-use assets		
Buildings	**39.5**	33.8
Plant and machinery	**0.2**	0.3
Computer equipment	**1.3**	6.4
Vehicles	**5.9**	5.3
Right-of-use assets	**46.9**	45.8
Lease liabilities		
Current	**14.6**	16.7
Non-current	**34.3**	32.0
Lease liabilities	**48.9**	48.7
Depreciation charge for right-of-use assets		
Buildings	**10.1**	9.2
Plant and machinery	**0.3**	0.4
Computer equipment	**5.2**	5.4
Vehicles	**2.7**	2.7
Depreciation charge for right-of-use assets	**18.3**	17.7
Additions to right-of-use assets		
Right-of-use assets acquired with businesses	**10.0**	–
Other additions to right-of-use assets	**6.3**	2.8
Additions to right-of-use assets	**16.3**	2.8

	2023 £m	2022 £m
Total cash outflow for leases		
Included in cash flows from operating activities:		
Interest expense	**1.1**	0.9
Expense relating to short-term leases	**1.0**	0.8
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**0.5**	0.5
Expense relating to variable lease payments not included in measurement of lease liabilities	**0.6**	0.6
Included in cash flows from financing activities:		
Payment of lease liabilities	**18.8**	17.8
Total cash outflow for leases	**22.0**	20.6

The contractual maturity analysis of lease liabilities is included in liquidity risk in Note 22.

16 Investment in joint venture

The Group's share of the post-tax profit of its joint venture is included in profit before tax. The investment in the joint venture is carried in the Group balance sheet at historical cost plus post-acquisition changes in the Group's share of the joint venture's net assets. The Group owns 50% of the share capital of RS Components & Controls (India) Limited, its joint venture.

	2023 £m	2022 £m
At 1 April	**1.5**	1.1
Group's share of profit for the year	**0.7**	0.5
Group's share of other comprehensive (expense) / income	**(0.1)**	0.1
Group's share of total comprehensive income	**0.6**	0.6
Dividends	**(0.6)**	(0.2)
At 31 March	**1.5**	1.5

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

17 Inventories

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

The Group estimates 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 Group bases its estimates on recent historical experience and knowledge of the products on hand.

	2023 £m	2022 £m
Raw materials and consumables	**96.6**	66.4
Finished goods and goods for resale	**563.4**	492.8
Gross inventories	**660.0**	559.2
Inventory provisions	**(43.7)**	(29.7)
Net inventories	**616.3**	529.5

£33.0 million was recognised as an expense relating to the write-down of inventories to net realisable value (2021/22: £7.7 million).

If the numbers of each product sold in a year decreased leading to an increase of one year in the number of years of sales there are in inventory, inventory provisions would increase by £3.0 million (2021/22: £1.5 million). A reduction in the value recoverable leading to an increase in provision rates of 10 percentage points per product, up to a maximum of 100% provision per product, would increase the inventory provisions by £2.0 million (2021/22: £1.2 million). Therefore, currently the Group 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.

18 Trade and other receivables

	2023 £m	2022 £m
Current		
Gross trade receivables	**621.0**	535.8
Impairment allowance (Note 22)	**(12.6)**	(9.1)
Net trade receivables	**608.4**	526.7
Amounts owed by joint venture	**2.8**	2.1
Prepayments	**36.1**	27.3
Other taxation and social security	**6.3**	1.8
Contract assets	**1.8**	2.9
Other receivables	**36.6**	33.5
Current trade and other receivables	**692.0**	594.3
Non-current		
Prepayments	**0.3**	0.7
Other taxation and social security	**–**	1.2
Other receivables	**6.2**	1.1
Non-current other receivables	**6.5**	3.0

Contract assets relate mainly to licence fee income and are where the Group has performed its part of the contract but is yet to receive the credit note for licence fee income from suppliers or raise the invoice for other contracts with customers.

Other receivables include £20.7 million (2021/22: £19.8 million) for amounts yet to be invoiced to customers related to product sales where the Group acts as an agent (Note 4).

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

19 Trade and other payables

	2023 £m	2022 £m
Current		
Trade payables	**398.5**	377.3
Other taxation and social security	**42.4**	19.7
Government grants	**0.1**	0.1
Cash-settled share-based payment liability	**2.0**	3.2
Accruals	**180.6**	150.4
Contract liabilities	**7.6**	8.2
Other payables (including estimated obligations for customer volume discounts and refunds – Note 4)	**27.7**	25.2
Current trade and other payables	**658.9**	584.1
Non-current		
Government grants	**2.3**	2.5
Cash-settled share-based payment liability	**2.8**	2.6
Other employee benefits	**3.5**	1.8
Accruals	**0.7**	–
Non-current other payables	**9.3**	6.9

Contract liabilities are where the Group has received payment but is yet to perform its part of the contract.

Government grants related to expenditure on property, plant and equipment are credited to the income statement at the same rate as the depreciation on the asset to which the grant relates.

The Group offers a supply chain finance facility to its suppliers. It is primarily provided to enable working capital improvement through the extension of supplier payment terms and gives the suppliers the option to protect their own working capital position from the impact of this extension. The substance of the contractual terms with the bank providing the financing does not differ to the terms under the supplier contracts and there are no changes to the invoice terms and therefore the amount owed to the bank of £13.5 million (2021/22: £10.7 million) is included in trade payables. Related cash flows are included in cash generated from operations.

20 Financial instruments

The Group uses derivative financial instruments, principally forward foreign exchange contacts and occasionally currency swaps and interest rate swaps, to cover its exposure to foreign exchange and interest rate risks arising from operational and financing activities.

In accordance with its treasury policies, the Group designates the majority of its derivative financial instruments as cash flow hedges, fair value hedges or net investment hedges. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised at fair value. Derivative financial instruments that do not qualify for cash flow hedge or net investment hedge accounting are classified as measured at fair value through profit or loss and changes in their fair values are recognised in the income statement as they arise.

Cash flow hedge accounting

The Group uses derivative financial instruments, namely forward foreign exchange contracts, to hedge variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income, while any ineffective part is recognised immediately in the income statement. When the hedged item subsequently results in the recognition of a non-financial asset or liability (e.g. inventories) the associated cumulative gain or loss recognised in the hedging reserve is transferred to the initial carrying amount of the asset or liability. When the hedged item subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to the income statement in the same period that the hedged item affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship as it no longer meets the Group's risk management objective but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is reclassified from equity when the transaction occurs in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is reclassified to the income statement.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

Fair value hedge accounting

The Group used derivative financial instruments, namely interest rate swaps, to hedge exposure to interest rate risks arising from financing activities. The fair value of the swaps was the market value of the swaps at the balance sheet date, taking into account prevailing interest rates. Changes in fair values of derivatives designated as fair value hedges and changes in fair value of the related hedged items were recognised directly in the income statement. These interest rate swaps matured during the year.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

20 Financial instruments continued

Net investment hedge accounting

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts taken to other comprehensive income are reclassified from equity to the income statement when the foreign operations are sold or liquidated.

Other financial instruments

All other financial instruments are initially recognised at fair value plus transaction costs. Initial fair value is generally the transaction price. Subsequent measurement is as follows:

- Borrowings are measured at amortised cost unless they are designated as being fair value hedged, in which case they are remeasured for the fair value changes in respect of the hedged risk with these changes recognised in the income statement.
- All other financial assets, including current receivables, are measured at amortised cost less any impairment allowances.
- All other financial liabilities, including current payables, are measured at amortised cost.

Other derivatives

	2023		2022	
	Current assets £m	**Current liabilities £m**	Current assets £m	Current liabilities £m
Forward foreign exchange contracts designated as cash flow hedges (principal amount £112.4 million (2021/22: £148.9 million))	**1.1**	**(1.4)**	1.2	(1.9)
Forward foreign exchange contracts classified as fair value through profit or loss	**0.7**	**(0.3)**	0.2	(1.3)
Other derivatives	**1.8**	**(1.7)**	1.4	(3.2)

Fair values

Under IFRS 7 'Financial Instruments: Disclosures', fair values are measured using a hierarchy where the inputs are:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – not Level 1 but are observable for that asset or liability either directly or indirectly
- Level 3 – not based on observable market data (unobservable)

The other derivatives listed above, the interest rate swaps and the fair value of the private placement loan notes they are hedging are measured at fair value using Level 2 inputs. These are estimated by discounting the future contractual cash flows using appropriate market-sourced data at the balance sheet date.

For all financial assets and liabilities, fair value approximates the carrying amounts in the balance sheet except for the following:

	2023		2022	
	Carrying amounts £m	**Fair value £m**	Carrying amounts £m	Fair value £m
Non-current private placement loan notes	**(160.4)**	**(147.7)**	(151.7)	(144.8)

The fair values are calculated using Level 2 inputs by discounting future cash flows to net present values using prevailing interest rate curves and the Group's credit margin.

Netting arrangements for financial instruments

The Group operates a number of cash pooling arrangements to provide the benefits of settling interest on a net basis. The balances on these accounts do not meet the criteria for offsetting and so are not presented on a net basis in the balance sheet. Where a legal right of offset exists, these are shown in the table below along with any financial instruments which can be netted under master netting arrangements.

	Gross and net amounts in balance sheet £m	Financial instruments not offset £m	Net amounts £m
At 31 March 2023			
Cash and cash equivalents – cash and short-term deposits	**260.3**	**(135.2)**	**125.1**
Other derivative assets	**1.8**	**(1.0)**	**0.8**
Cash and cash equivalents – bank overdrafts	**(139.8)**	**135.2**	**(4.6)**
Other derivative liabilities	**(1.7)**	**1.0**	**(0.7)**
At 31 March 2022			
Interest rate swap assets	0.1	(0.1)	–
Cash and cash equivalents – cash and short-term deposits	257.9	(95.5)	162.4
Other derivative assets	1.4	(1.4)	–
Interest rate swaps liabilities	(0.2)	–	(0.2)
Cash and cash equivalents – bank overdrafts	(99.5)	95.5	(4.0)
Other derivative liabilities	(3.2)	1.5	(1.7)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

21 Net debt

Net debt comprises cash and cash equivalents, borrowings, interest rate swaps and lease liabilities. Cash and cash equivalents comprise cash in hand and in current accounts, overnight deposits and short-term deposits net of overdrafts with qualifying financial institutions. Borrowings represent loans from qualifying financial institutions.

	2023 £m	2022 £m
Cash and short-term deposits	**260.3**	257.9
Bank overdrafts	**(139.8)**	(99.5)
Cash and cash equivalents	**120.5**	158.4

	2023 £m	2022 £m
Non-current borrowings		
Unsecured private placement loan notes repayable after more than five years	**(80.0)**	(75.5)
Unsecured private placement loan notes repayable from four to five years	**–**	(76.2)
Unsecured private placement loan notes repayable from three to four years	**(80.4)**	–
Unsecured sustainability-linked loan repayable from four to five years	**(24.2)**	–
Non-current borrowings	**(184.6)**	(151.7)
Total borrowings	**(184.6)**	(151.7)
Current interest rate swaps designated as fair value hedges – assets	**–**	0.1
Current interest rate swaps designated as fair value hedges – liabilities	**–**	(0.2)
Cash and cash equivalents	**120.5**	158.4
Non-current lease liabilities	**(34.3)**	(32.0)
Current lease liabilities	**(14.6)**	(16.7)
Net debt	**(113.0)**	(42.1)

The amount borrowed under the sustainability-linked loan facility was repaid in April 2023.

The interest rate swaps were designated as fair value hedges and swapped US$50 million of private placement loan notes from fixed rate US dollars at 3.37% into floating rate US dollars at US$ LIBOR plus 191 basis points to December 2022 and US$35 million of private placement loan notes from fixed rate US dollars at 3.58% into floating rate US dollars at US$ LIBOR plus 277 basis points to March 2023. Further details of these swaps and the hedged items are:

	2023		2022	
	Interest rate swaps £m	**Private placement loan notes hedged £m**	Interest rate swaps £m	Private placement loan notes hedged £m
Carrying amount of liability	**–**	**–**	(0.1)	(64.6)
Accumulated fair value adjustments (loss) / gain	**–**	**–**	(0.1)	0.1
Gain / (loss) in fair value in year	**0.1**	**(0.1)**	(1.2)	1.2

Movements in net debt were:

	Borrowings £m	Lease liabilities £m	Total liabilities from financing activities £m	Interest rates swaps £m	Cash and cash equivalents £m	Net debt £m
Net debt at 1 April 2021	(148.0)	(61.5)	(209.5)	1.1	86.4	(122.0)
Cash flows	0.7	17.8	18.5	–	68.1	86.6
New leases	–	(2.8)	(2.8)	–	–	(2.8)
Lease modifications	–	(2.1)	(2.1)	–	–	(2.1)
Disposal of leases	–	0.2	0.2	–	–	0.2
Gain / (loss) in fair value in year	1.2	–	1.2	(1.2)	–	–
Translation differences	(5.6)	(0.3)	(5.9)	–	3.9	(2.0)
Net debt at 31 March 2022	(151.7)	(48.7)	(200.4)	(0.1)	158.4	(42.1)
Cash flows	(25.1)	18.8	(6.3)	–	(43.6)	(49.9)
Acquired with businesses	–	(9.8)	(9.8)	–	–	(9.8)
New leases	–	(6.3)	(6.3)	–	–	(6.3)
Lease modifications	–	(2.4)	(2.4)	–	–	(2.4)
Disposal of leases	–	0.3	0.3	–	–	0.3
(Loss) / gain in fair value in year	(0.1)	–	(0.1)	0.1	–	–
Translation differences	(7.7)	(0.8)	(8.5)	–	5.7	(2.8)
Net debt at 31 March 2023	**(184.6)**	**(48.9)**	**(233.5)**	**–**	**120.5**	**(113.0)**

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management

The principal financial risks to which the Group is exposed are those of credit, liquidity and market. Market risk includes foreign currency transaction risk and interest rate risk. Each of these is managed in accordance with Board-approved policies.

Credit risk

The Group is exposed to credit risk on financial assets such as cash deposits, derivative instruments and trade and other receivables.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties, customers and geographic locations. The Group has reviewed its credit risk again carefully this year due to the current global economic and geopolitical uncertainties and the Group does not believe it has materially altered during the year.

For cash deposits and derivative instruments, the Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings and that these limits are not exceeded. The impairment losses on these are immaterial.

For trade and other receivables, all operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. For countries with no local operating company presence, export credit limits are set and monitored on a country basis monthly by the Treasury Committee. The impairment losses on contract assets, amounts owed by joint venture and other receivables are immaterial.

The impairment allowance for trade receivables is measured at an amount equal to lifetime expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and the number of days from date of invoice. The expected loss rates are based on the payment profile of sales over a 36-month period from 1 April 2019 and the corresponding historical credit losses experienced within this period calculated as the trade receivables from this period that have not been paid by the year end. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the impairment allowance for trade receivables was determined as follows:

	2023			2022		
	Expected loss rate %	**Gross carrying amount £m**	**Loss allowance £m**	Expected loss rate %	Gross carrying amount £m	Loss allowance £m
0-30 days from date of invoice	**0.9%**	**366.0**	**3.4**	0.6%	358.3	2.2
31-60 days from date of invoice	**1.3%**	**162.4**	**2.1**	0.9%	117.4	1.1
61-90 days from date of invoice	**2.1%**	**42.6**	**0.9**	2.1%	28.6	0.6
91-120 days from date of invoice	**2.9%**	**17.5**	**0.5**	3.3%	12.0	0.4
Over 120 days from date of invoice	**17.5%**	**32.5**	**5.7**	24.6%	19.5	4.8
Total		**621.0**	**12.6**		535.8	9.1

The ageing of net trade receivables at the reporting date was:

	2023 £m	2022 £m
Not past due	**483.7**	437.9
Past due 0-30 days	**73.5**	59.9
Past due 31-60 days	**17.4**	10.1
Past due 61-120 days	**13.0**	8.2
Past due over 120 days	**20.8**	10.6
Total	**608.4**	526.7

The movement in the impairment allowance for trade receivables was as follows:

	2023 £m	2022 £m
At 1 April	**(9.1)**	(7.4)
Acquisitions	**(2.1)**	–
Net remeasurement of impairment allowance	**(1.4)**	(1.7)
At 31 March	**(12.6)**	(9.1)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management continued

Trade receivables are written off when there is no reasonable expectation of recovery, for example when a customer enters liquidation or the Group agrees with the customer to write off an outstanding invoice. The Group continues to limit its exposure by maintaining tight credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers. Historically, the Group has generally experienced very low levels of trade receivables not being recovered, including those significantly past due, and this was also the case during 2022/23. However, with the continued global economic and geopolitical uncertainties, the Group remains cautious about its exposure and so has reviewed carefully, and maintained at a higher level, its expected loss rates for those markets and industries that are most affected.

At 31 March 2023, the largest trade receivable balance was £12.0 million (2021/22: £8.7 million), of which £10.1 million has been received since the year end. The maximum exposure with a single bank for deposits was £26.0 million (2021/22: £51.3 million) and the largest mark to market exposure for derivative financial instruments to a single bank was £0.7 million (2021/22: £0.1 million). The Group also occasionally uses money market funds to invest surplus cash thereby diversifying credit risk and at 31 March 2023 its exposure to these funds was £nil (2021/22: £nil).

Liquidity risk

The Group's key priority is to ensure that it can meet its liabilities as they fall due. The Group ensures this by having sufficient committed debt facilities in place to meet its anticipated funding requirements. The Group's forecast funding requirements and its committed debt facilities are reported to and monitored by the Treasury Committee monthly.

During the year, the Group refinanced its £300.0 million sustainability-linked loan facility to a five-year £400.0 million sustainability-linked loan facility on broadly unchanged rates. Therefore, as at 31 March 2023, the Group had the following committed debt finance in place:

- Private placement loan notes of €18 million with a maturity of October 2026, US$80 million with a maturity of December 2026, €13 million with a maturity of October 2029, US$35 million with a maturity of March 2030 and US$50 million with a maturity of October 2031.
- A £400.0 million sustainability-linked loan facility, with a lender option accordion of up to a further £100.0 million, which has a maturity of October 2027 with an option for the Group to extend for up to two further one-year terms subject to individual lender approval. It is linked to the Group's most material ESG actions of the reduction of direct Scope 1 and 2 CO_2e emissions, packaging intensity and percentage of management that are women. Meeting these annual ESG actions means a margin benefit of up to 2.5 basis points, while missing these ESG actions would mean paying a margin premium of up to 2.5 basis points. Amounts borrowed under this facility are borrowed for fixed amounts of time after which they can be repaid or rolled up to a maximum of the facility maturity.

As at 31 March 2023, the Group had £375.8 million (2021/22: £300.0 million) of available undrawn committed debt facilities in respect of which all conditions precedent had been met.

The Group also uses bank overdrafts, uncommitted short-term money market loans, cash and short-term investments. The main purpose of these financial instruments is to manage the Group's day-to-day funding and liquidity requirements.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management continued

The contractual maturities of financial liabilities, including contractual future interest payments were:

	Carrying amounts £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	After 4 years £m
Derivative financial liabilities							
Inflows for forward foreign exchange contracts	**86.1**	**87.0**	**87.0**	**–**	**–**	**–**	**–**
Outflows for forward foreign exchange contracts	**(87.8)**	**(87.8)**	**(87.8)**	**–**	**–**	**–**	**–**
Forward foreign exchange contracts	**(1.7)**	**(0.8)**	**(0.8)**	**–**	**–**	**–**	**–**
Non-derivative financial liabilities							
Sustainability-linked loan	**(24.2)**	**(24.3)**	**(24.3)**	**–**	**–**	**–**	**–**
Private placement loan notes	**(160.4)**	**(191.3)**	**(5.0)**	**(5.0)**	**(5.0)**	**(85.4)**	**(90.9)**
Lease liabilities	**(48.9)**	**(57.4)**	**(16.1)**	**(11.7)**	**(8.7)**	**(6.6)**	**(14.3)**
Bank overdrafts	**(139.8)**	**(139.8)**	**(139.8)**	**–**	**–**	**–**	**–**
Trade payables, other payables and accruals	**(533.0)**	**(533.0)**	**(532.3)**	**(0.7)**	**–**	**–**	**–**
At 31 March 2023	**(908.0)**	**(946.6)**	**(718.3)**	**(17.4)**	**(13.7)**	**(92.0)**	**(105.2)**

	Carrying amounts £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	After 4 years £m
Derivative financial liabilities							
Inflows for forward foreign exchange contracts	133.9	133.6	133.6	–	–	–	–
Outflows for forward foreign exchange contracts	(137.1)	(137.1)	(137.1)	–	–	–	–
Forward foreign exchange contracts	(3.2)	(3.5)	(3.5)	–	–	–	–
Non-derivative financial liabilities							
Private placement loan notes	(151.7)	(185.6)	(4.7)	(4.7)	(4.7)	(4.7)	(166.8)
Lease liabilities	(48.7)	(50.7)	(17.7)	(11.4)	(7.3)	(5.7)	(8.6)
Bank overdrafts	(99.5)	(99.5)	(99.5)	–	–	–	–
Trade payables, other payables and accruals	(500.2)	(500.2)	(500.2)	–	–	–	–
At 31 March 2022	(803.3)	(839.5)	(625.6)	(16.1)	(12.0)	(10.4)	(175.4)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management continued

Market risk – foreign currency transaction risk

The Group is exposed to foreign currency transaction risk as it has operating companies with payables and receivables in currencies other than their functional currency. The Group also has foreign currency translation risk resulting from investment in foreign subsidiaries and foreign currency debt which is mainly in US dollars with some euros.

Hedging of currency exposures during periods when operating companies cannot easily change their selling prices is implemented in order to shelter the forecast gross profit during those periods. In this way the impacts of currency fluctuations can be smoothed until selling prices can be changed in the light of movements in exchange rates. The hedges are enacted through forward foreign exchange contracts entered into by Group Treasury in appropriate currencies with fixed terms of between three and seven months based on trading projections provided by the operating companies. The Group's largest exposures relate to euros and US dollars.

In addition, specific cash flows relating to material transactions in currencies other than the functional currency of the local business are hedged when the commitment is made.

The Group classifies forward foreign exchange contracts as hedging instruments against forecast receivables / payables and designates the forward element of these contracts as cash flow hedges for accounting purposes on a 1:1 basis which means the fair value movement in the hedged item is equal and opposite to the fair value movement in the hedging instrument. 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 income statement in the period in which they occur or the inventories are sold. The average forward prices of the outstanding forward foreign exchange contracts are €1.13:£1 and US$1.21:£1.

Foreign currency transaction exposures, and the hedges in place to mitigate them, are monitored monthly by the Treasury Committee. The Group does not believe its foreign currency transaction risk has altered materially during the year. Ineffectiveness may arise if actual foreign currency transactions are lower than the trading projections.

The Group has designated the US$165.0 million private placement loan notes (2021/22: US$3.6 million of those maturing in December 2026), with a carrying amount of £133.2 million (2021/22: £2.8 million), as hedges of US$165.0 million (2021/22: US$3.6 million) of net investments in its US subsidiaries. These hedges are expected to remain highly effective as the change in the value of the net assets of the US subsidiaries hedged is always exactly offset by the related change in the fair value of the private placement loan notes. No other foreign currency translation exposures are explicitly hedged although local currency debt is used where economically and fiscally efficient in the financing of subsidiaries and this provides a degree of natural hedging. Guidelines are in place to manage the currency mix of the Group's net debt. The Group does not believe its foreign currency translation risk has altered materially during the year. The balance in the cumulative translation reserve relating to the US$165.0 million net investment hedge is a gain of £3.7 million with a further loss of £36.7 million relating to previous net investment hedging relationships.

Borrowings are analysed by currency as:

	Unsecured bank overdrafts £m	Sustainability-linked loan £m	Unsecured private placement loan notes £m	Total £m
At 31 March 2023				
Sterling	**(125.0)**	**–**	**–**	**(125.0)**
US dollar	**(3.4)**	**(24.2)**	**(133.2)**	**(160.8)**
Euro	**–**	**–**	**(27.2)**	**(27.2)**
Canadian dollar	**(9.7)**	**–**	**–**	**(9.7)**
Other	**(1.7)**	**–**	**–**	**(1.7)**
Total borrowings	**(139.8)**	**(24.2)**	**(160.4)**	**(324.4)**
At 31 March 2022				
Sterling	(78.8)	–	–	(78.8)
US dollar	(3.0)	–	(125.5)	(128.5)
Euro	(8.4)	–	(26.2)	(34.6)
Canadian dollar	(8.3)	–	–	(8.3)
Other	(1.0)	–	–	(1.0)
Total borrowings	(99.5)	–	(151.7)	(251.2)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management continued

Market risk – interest rate risk

The Group has relatively high interest cover. The Group does not have any outstanding interest rate swaps currently, as those that swapped certain of the US dollar private placement loan notes from fixed to floating rates matured during the year (Note 21). The Group's policy dictates regular monitoring of interest rate exposure with a view to taking suitable actions should exposure reach certain levels. The Group does not believe its interest rate risk has materially altered during the year.

As at 31 March 2023 (and 31 March 2022), the Group had US$165 million and €31 million of private placement loan notes at fixed interest rates (2021/22: US$85 million swapped into floating interest rates). All other borrowings were at variable rates. At 31 March 2023, 49% (2021/22: 35%) of the Group's gross borrowings excluding lease liabilities (total borrowings plus bank overdrafts) was at fixed rates, with surplus cash deposited at variable rates.

Sensitivity analysis of exposure to interest rates and foreign exchange rates

The sensitivity analysis is based on the following:

- Change of one percentage point in market interest rates affecting all variable rate elements of financial instruments.
- Change of 5% in euro and US dollar exchange rates affecting the fair value of derivative financial instruments designated as hedging instruments and other financial assets and liabilities. The transactional foreign exchange effect in equity due to net investment hedges included below would be offset in full by the translation of the US and European subsidiaries.

	2023		2022	
	Impact on income statement gain / (loss) £m	**Impact on equity gain / (loss) £m**	Impact on income statement gain / (loss) £m	Impact on equity gain / (loss) £m
One percentage point increase in interest rates	**1.0**	**–**	0.7	–
5% weakening of the euro	**1.6**	**0.5**	2.3	0.6
5% weakening of the US dollar	**(6.3)**	**4.3**	(0.1)	(2.3)

A corresponding decrease in interest rates or strengthening of exchange rates would result in an equal and opposite effect to the amounts above.

Capital management

The Board's policy is to maintain a strong capital base always, with an appropriate debt to equity mix, to ensure investor, creditor and market confidence and to support the future development of the business. The Board monitors ROCE, which the Group defines as adjusted operating profit as a percentage of monthly average net assets excluding net debt and retirement benefit obligations, and the level of dividends to ordinary shareholders.

The Group seeks to raise debt from a variety of sources and with a variety of maturities. As at 31 March 2023, the Group had a £400 million sustainability-linked loan, with an accordion of up to a further £100 million, which has a maturity of October 2027 with an option for the Group to extend for up to two further one-year terms subject to individual lender approval; and private placement loan notes of €18 million with a maturity of October 2026, US$80 million with a maturity of December 2026, €13 million with a maturity of October 2029, US$35 million with a maturity of March 2030 and US$50 million with a maturity of October 2031.

The Group's debt covenants are net debt to adjusted EBITDA to be less than 3.25 times and EBITA to interest to be greater than 3 times. At the year end the Group comfortably met these covenants with net debt to adjusted EBITDA of 0.2x (2021/22: 0.1x) and EBITA to interest of 34.2x (2021/22: 44.6x).

There were no significant changes in the Group's approach to capital management during the year.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and a reasonable estimate can be made of a probable adverse outcome. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote.

	Reorganisation provision £m	Penalties and interest on uncertain income tax provision £m	Dilapidation provision £m	Total £m
At 1 April 2022	3.4	1.6	0.4	5.4
Acquisitions (Note 28)	–	2.1	–	2.1
Additions	0.4	0.2	–	0.6
Utilised	(1.5)	–	–	(1.5)
Released	(0.3)	–	–	(0.3)
Translation differences	0.1	0.1	–	0.2
At 31 March 2023	**2.1**	**4.0**	**0.4**	**6.5**

Analysed in the balance sheet as:

	2023 £m	2022 £m
Current	**1.8**	2.6
Non-current	**4.7**	2.8
	6.5	5.4

The reorganisation provision is expected to be fully spent by March 2027 and the dilapidation provision is expected to be fully utilised by March 2028.

At 31 March 2023, there were no material contingent liabilities (2021/22: none).

24 Capital commitments

As at 31 March 2023, the Group is contractually committed to, but has not provided for, future capital expenditure of £3.5 million (2021/22: £1.1 million) for property, plant and equipment and £2.1 million (2021/22: £5.5 million) for intangible assets.

25 Share capital and share premium

	Number of shares	Share capital £m	Share premium £m	Total £m
Issued and fully paid ordinary shares of 10p each:				
At 1 April 2021	469,943,362	47.0	228.5	275.5
Issues to settle employee share awards	1,078,660	0.1	2.9	3.0
At 31 March 2022	471,022,022	47.1	231.4	278.5
Issues to settle employee share awards	1,762,387	0.2	4.6	4.8
At 31 March 2023	**472,784,409**	**47.3**	**236.0**	**283.3**

The EBT buys shares on the open market and holds them in trust for employees participating in the Group's share-based payment schemes. At 31 March 2023, the EBT held 336,084 shares (2021/22: 315,768 shares) which had not yet vested unconditionally with employees.

26 Other reserves

	Hedging reserve £m	Cumulative translation reserve £m	Total £m
At 1 April 2021	(1.4)	39.0	37.6
Foreign exchange translation differences	–	22.0	22.0
Fair value loss on net investment hedges	–	(0.1)	(0.1)
Cash flow hedging losses taken to equity	(1.2)	–	(1.2)
Cash flow hedging losses transferred to income statement	2.6	–	2.6
Tax on other comprehensive income (Note 10)	(0.3)	–	(0.3)
Total comprehensive income	1.1	21.9	23.0
Cash flow hedging gains transferred to inventories	(0.5)	–	(0.5)
Tax on cash flow hedging gains transferred to inventories	0.1	–	0.1
At 31 March 2022	(0.7)	60.9	60.2
Foreign exchange translation differences	–	43.0	43.0
Fair value gain on net investment hedges	–	5.4	5.4
Cash flow hedging gains taken to equity	3.9	–	3.9
Tax on other comprehensive income (Note 10)	(0.7)	–	(0.7)
Total comprehensive income	3.2	48.4	51.6
Cash flow hedging gains transferred to inventories	(3.7)	–	(3.7)
Tax on cash flow hedging gains transferred to inventories	0.7	–	0.7
At 31 March 2023	**(0.5)**	**109.3**	**108.8**

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

27 Related parties

The Group's joint venture (Note 16) is a related party and during the year, the Group made sales of £4.5 million (2021/22: £3.3 million) to the joint venture, and a balance of £2.8 million (2021/22: £2.1 million) was outstanding at the year end.

The Group's pension schemes are related parties and the Group's transactions with them are disclosed in Note 9. Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

The key management personnel of the Group are the Directors and the Senior Management Team, whose compensation was:

	2023 £m	2022 £m
Short-term employee benefits	**12.0**	12.0
Post-employment benefits	**0.2**	0.2
Termination benefits	**1.8**	0.2
Share-based payments	**8.1**	5.9
	22.1	18.3

28 Acquisitions

On 30 June 2022 the Group acquired 100% of the issued share capital of domnick hunter-RL (Thailand) Co., Ltd. (DH), a leading distributor and service provider of major air compression, purification and filtration products in Thailand. DH accelerates development of the Group's service solutions offer in Asia Pacific. The goodwill is attributable to the synergies which are expected to arise from opportunities to cross-sell product and service solution ranges. As part of the transaction, immediately following the acquisition, the Group sold 51% of its shares in Electrocomponents Holdings (Thailand) Limited, an intermediate holding company of DH, for £nil (THB 1.5 million). This resulted in a 13.26% non-controlling interest in DH as the Group still controls Electrocomponents Holdings (Thailand) Limited and DH. DH is included in Asia Pacific.

On 3 January 2023 the Group acquired 100% of the issued share capital of Risoul y Cia, S.A. de C.V. and its subsidiaries (Risoul), a leading distributor of industrial and automation product and service solutions in Mexico. Risoul expands the Group's geographic reach, extends targeted product adjacencies and accelerates development of the Group's offer in Mexico. The goodwill is attributable to the synergies which are expected to arise from combining Risoul's established presence in Mexico with the Group's range of complementary and ancillary products, including the Group's own-brand RS PRO. We will develop Risoul's digital presence by leveraging the Group's digital expertise. Risoul is included in Americas.

The fair value of the net assets acquired, consideration paid and goodwill arising, plus transaction costs and contribution to the Group's results since acquisition were:

	DH £m	Risoul £m	Total £m
Intangible assets – customer contracts and relationships and distribution agreements	1.9	105.9	107.8
Property, plant and equipment	1.1	1.8	2.9
Right-of-use assets	0.6	9.4	10.0
Inventories	2.6	27.1	29.7
Current trade and other receivables	3.3	36.4	39.7
Cash and cash equivalents – cash and short-term deposits	1.2	11.5	12.7
Current trade and other payables	(8.3)	(27.3)	(35.6)
Current lease liabilities	(0.1)	(0.9)	(1.0)
Non-current lease liabilities	(0.3)	(8.5)	(8.8)
Non-current other payables	(0.8)	–	(0.8)
Non-current other provisions	(0.4)	(1.7)	(2.1)
Current income tax liabilities	(0.4)	(2.5)	(2.9)
Deferred tax liabilities	(0.4)	(30.2)	(30.6)
Net assets acquired	–	121.0	121.0
Indemnification assets (included in non-current other receivables)	0.7	4.0	4.7
Goodwill	3.4	108.4	111.8
Consideration paid – cash	3.6	233.6	237.2
Consideration refundable – accrued, due on agreement of completion accounts	–	(0.2)	(0.2)
Contingent consideration payable – accrued	0.5	–	0.5
Acquisition-related costs charged to administrative expenses:			
In 2022/23	–	2.6	2.6
In 2021/22	0.2	1.1	1.3
Revenue since acquisition	7.1	46.9	54.0
Profit after tax since acquisition	–	0.8	0.8
Trade and other receivables:			
Gross contractual amounts receivable	3.8	38.0	41.8
Estimate of amounts not expected to be collected	0.5	1.6	2.1

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

28 Acquisitions continued

The contingent consideration payable on acquisition of DH is due 12 months after the completion date with a range of outcomes from £nil to £0.5 million and is based on revenue growth.

The indemnification assets relate to uncertain tax provisions for which the Group has contractual indemnifications from the sellers and have been measured on the same basis, with a range of outcomes from £nil to the amount recognised for each acquisition.

The goodwill arising on all acquisitions completed during the year will not be deductible for tax purposes. The fair values of tax balances and other related assets / liabilities for Risoul are provisional while the Group continues to assess the liabilities acquired.

If the acquisitions had occurred on 1 April 2022, the Group's revenue and profit for the year ended 31 March 2023 would have been £3,118.1 million and £306.0 million respectively.

29 Related undertakings

A full list of related undertakings (comprising subsidiaries and a joint venture) is set out below. All subsidiaries are wholly owned except where indicated below and operate within their countries of incorporation. Those companies marked with an asterisk (*) are indirectly held by the Company.

Name and registered address of undertaking	Country of incorporation	Class of share held
Provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations		
RS Components Pty Limited* 25, Pavesi Street, Smithfield, Sydney NSW 2164, Australia	Australia	Ordinary
RS Components Handelsgesellschaft m.b.H* Albrechtser Straße 11, 3950, Gmünd, Austria	Austria	Share of equity
RS Integrated Supply Belgium* Louizalaan 65/11, 1050 Elsene	Belgium	Ordinary
RS Americas (Canada), Inc.* 1155 Lola Street, Unit 6, Ottawa, ON, K1K 4C1	Canada	Common
RS Integrated Supply Canada Corp.* 600-1741 Lower Waters Street, Halifax NS B3J 0J2, Canada	Canada	Common
RS Group Limitada (DBA – RS Limitada)* Av. Eduardo Frei Montalva, 6001-71 Conchali, Santiago, Chile	Chile	Ordinary
RS Components Limited* Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong	China	Ordinary
RS Components (Shanghai) Company Limited* Unit 501, Floor 5, Building C, The New Bund World Trade Center Phase II, No.3, Lane 227, Dong Yu Road, Pudong Shanghai, China	China	Ordinary
RS Components A/S* Nattergalevej 6, 2400, København NV, Denmark	Denmark	Ordinary
Risoul Dominicana S.R.L* Autopista Duarte KM 17, Calle Los Almejos, Palma Enana No 13, Nave 1, Villa Linda, Palmarejito, Santo Domingo Oeste, Dominican Republic	Dominican Republic	Ordinary
RS Components SAS* Rue Norman King, 60000, Beauvais, France	France	Ordinary
RS Integrated Supply France* Rue Norman King BF 453, F-60031 Beauvais Cedex, France	France	Ordinary
RS Integrated Supply Deutschland GmbH* Bleibtreustr. 21, 10623, Berlin, Germany	Germany	Ordinary
RS Components GmbH* Mainzer Landstraße 180, 60327, Frankfurt, Germany	Germany	Ordinary
RS Integrated Supply Hungary Korlátolt Felelősségű Társaság* 1062, 1-3. Tower A, 6th floor, Budapest	Hungary	Ordinary
RS Components & Controls (India) Limited*† 222 Okhla Industrial Estate, New Delhi, India	India	Ordinary
RS Components S.r.l.* Sesto san Giovanni, Viale Thomas Alva Edison, 110, 20099, MI, Italy	Italy	Ordinary
RS Integrated Supply Italy S.r.l.* Sesto san Giovanni, Viale Thomas Alva Edison, 110, 20099, MI, Italy	Italy	Ordinary
RS Components KK* West Tower 12F, Yokohama Business Park, 134 Godocho, Hodogaya, Yokohama, Kanagawa, 240-0005, Japan	Japan	Ordinary
RS Components Sdn. Bhd.* Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, Johor Bahru, 80000, Johor, Malaysia	Malaysia	Ordinary
Allied Electronics & Automation S. de R.L. de C.V.* Avenida Circunvalación Agustin Yalez N° 2613 Int. 1A 105, Colonia Arcos Vallarta Sur, Guadalajara Jalisco, 44500 Mexico	Mexico	Ordinary
Risoul y Cia, S.A. de C.V.* Avenida Sendero Divisorio 400, Residencia Casa Bella, San Nicolas de los Garza, Nuevo Leon, 66428, Mexico	Mexico	Ordinary
Storeroom Solutions Mexico, S. de R.L. de C.V.* Florencia 57 P, 3 Juarez Distritio Federal, 06600, Mexico	Mexico	Ordinary
Liscombe B.V.* Jarmuiden 56 a, 1046 AE, Amsterdam, Netherlands	Netherlands	Ordinary
RS Components B.V.* Bingerweg 19, 2031 AZ Haarlem, Netherlands	Netherlands	Ordinary

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Integrated Supply Netherlands B.V.* Bingerweg 19, 2031 AZ Haarlem, Netherlands	Netherlands	Ordinary
RS Components Limited* KPMG, 18 Viaduct Harbour Avenue, Auckland, 1010, New Zealand	New Zealand	Ordinary
RS Components AS* 10. etg., Fredrik Selmers vei 6, Oslo, 0663, Norway	Norway	Ordinary
RS Components Corporation* 21st Floor Multinational Bancorporation Centre, 6805 Ayala Avenue, Makati City, Philippines	Philippines	Common and preference
RS Components sp. z.o.o.* Ul. Domaniewska 48, 02-672, Warszawa, Poland	Poland	Ordinary
RS Integrated Supply Poland Sp. z.o.o.* Ul. Domaniewska 48, 02-672, Warszawa, Poland	Poland	Ordinary
Radionics Limited* Glenview Industrial Estate, Herberton Road, Rialto, Dublin 12, Ireland	Republic of Ireland	Ordinary
RS Integrated Supply Ireland Limited* Glenview Industrial Estate, Herberton Road, Rialto, Dublin 12, Ireland	Republic of Ireland	Ordinary
Synovos Ireland Limited* 70 Sir John Rogerson's Quay, Dublin 2, Ireland	Republic of Ireland	Ordinary
RS Components Pte Ltd* 112 Robinson Road, #05-01, 068902, Singapore	Singapore	Ordinary
RS Integrated Supply Singapore Pte. Ltd.* 10 Ubi Crescent, #06-18 Ubi Techpark, 408564, Singapore	Singapore	Ordinary
Synovos Singapore Pte. Ltd.* 1 Marina Boulevard, #28-00, One Marina Boulevard, 018989, Singapore	Singapore	Ordinary
RS Integrated Supply Slovakia s.r.o.* Lazaretská 8, Bratislava- mestská časť Staré Mesto, 811 09, Slovakia	Slovakia	Ordinary
Amidata S.A.U.* Avenida de Bruselas 6, Alcobendas, 28108, Madrid, Spain	Spain	Ordinary
Risoul Iberica SA* 08402 – Granollers, calle Girona, numero 85, Barcelona, Spain	Spain	Ordinary
RS Components AB* Fabriksgatan 7, 3v, 412 50 Gotborg, Sweden	Sweden	Ordinary
RS Integrated Supply Sweden AB* Drottninggatan 96, 113 60, Stockholm, Sweden	Sweden	Ordinary
domnick hunter-RL (Thailand) Co., Ltd.* (86.74%) No. 99/1-3, Naradhiwas Rajanagarindra Road, Chong Nonsi, Yan Nawa, Bangkok	Thailand	Ordinary
RS Components Co., Ltd* GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
IESA A & D Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
John Liscombe Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary and preference
Needlers Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary and preference
OKdo Technology Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Components Limited Birchington Road, Weldon, Corby, Northamptonshire, NN17 9RS, UK	UK	Ordinary
RS Integrated Supply UK Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
MRO Distribution, Inc.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common
New DEAM, LLC* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common
RS Americas, Inc* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
RS Integrated Supply Puerto Rico LLC* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common
RS Integrated Supply US Inc.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common
Holding, Financing and Management Companies		
Electrocomponents Limited Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong	China	Ordinary
RS Components Business Services (Foshan) Limited* 22nd Floor, Glory International Financial Center, No.25, Ronghe Road, Guicheng, Nanhai District, Foshan, Guangdong, 528200, China	China	Ordinary
Electrocomponents France SARL* Rue Norman King, 60000, Beauvais, France	France	Ordinary

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
Bodenfeld Immobilien GmbH* Mainzer Landstraße 180, 60327, Frankfurt, Germany	Germany	Ordinary
Electrocomponents Jersey Finance Unlimited* 44 Esplanade, St Helier, JE4 9WG Jersey	Jersey	Common
Synovos Netherlands C.V.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	Netherlands	Partnership
Electrocomponents Holdings (Thailand) Limited* (49.00%) GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
Electrocomponents Newco (Thailand) Limited* (86.73%) GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
Electrocomponents (Thailand) Limited* (73.99%) GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
Electrocomponents Finance Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents Overseas Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents US Finance Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
IESA A & D Holdings Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
IESA Holdings Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
Needlers Holdings Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary and preference
RS Components Holdings Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Group International Holdings Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Group Pension Trustees Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents, Inc* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common and preference
Electrocomponents North America, Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Electrocomponents North America LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Electrocomponents (US), Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Electrocomponents US LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Synovos International, Inc.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common

Not currently trading

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Components (Proprietary) Limited* 20 Indianapolis Street, Kyalami Business Park, Kyalami Midrand, Gauteng, 1684, South Africa	South Africa	Ordinary
Risoul (Trinidad and Tobago) Limited* Nunez & Co, Level 2, Invaders Bay Tower, Invaders Bay, Off Audrey Jeffers Highway, Port of Spain, Trinidad and Tobago	Trinidad and Tobago	Ordinary
B & W (Hygiene Services) Company Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electro-Leasing Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electro Lighting Group Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electromail Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
IESA Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Monition Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Radiospares Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Components International Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Supplies Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary

† Note 16 provides details about the Company's interest in the joint venture.

RS Components Limited (UK), RS Components B.V. (Netherlands) and RS Components GmbH (Germany) export to most countries where the Group does not have a trading company and operate branch offices in South Africa, Belgium, Switzerland, the Philippines and China (Taiwan).

30 Post balance sheet events

On 27 April 2023 the Group announced that it had reached agreement to acquire Distrelec B.V. (Distrelec), a high-service, digital-led distributor of industrial and MRO products for a consideration of €365 million on a cash-free and debt-free basis. Completion is expected to be by the end of July 2023 as it is subject to regulatory clearances in Germany, Austria and Italy. The acquisition will be financed from the Group's existing resources and the addition of an approved new three-year acquisition term loan facility of €150 million.

COMPANY BALANCE SHEET

As at 31 March 2023

	Notes	2023 £m	2022 £m
Fixed assets			
Tangible assets	7	**15.7**	16.4
Investments in subsidiaries	8	**491.2**	343.0
Total fixed assets		**506.9**	359.4
Current assets			
Debtors: amounts falling due after more than one year	10	**2.2**	1.8
Debtors: amounts falling due within one year	10	**995.7**	837.2
Cash at bank and in hand		**171.3**	170.8
Total current assets		**1,169.2**	1,009.8
Creditors: amounts falling due within one year	11	**(512.0)**	(308.6)
Net current assets		**657.2**	701.2
Total assets less current liabilities		**1,164.1**	1,060.6
Creditors: amounts falling due after more than one year	12	**(185.6)**	(153.0)
Net assets		**978.5**	907.6
Capital and reserves			
Share capital	16	**47.3**	47.1
Share premium account	16	**236.0**	231.4
Own shares held by Employee Benefit Trust (EBT)	16	**(2.2)**	(3.0)
Profit and loss account (including profit for the year of £142.5 million (2021/22: £59.2 million))	16	**697.4**	632.1
Total equity		**978.5**	907.6

The Company accounts on pages 187 to 191 were approved by the Board of Directors on 23 May 2023 and were signed on its behalf by:

Rona Fairhead
Chair

Simon Pryce
Chief Executive Officer

RS Group plc
Company number: 647788

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital £m	Share premium account £m	Own shares held by EBT £m	Profit and loss account £m	Total £m
At 1 April 2021	47.0	228.5	(1.5)	640.2	914.2
Profit and total comprehensive income for the year	–	–	–	59.2	59.2
Dividends (Note 16)	–	–	–	(76.2)	(76.2)
Equity-settled share-based payments (Note 5)	–	–	–	9.9	9.9
Settlement of share awards (Note 16)	0.1	2.9	1.4	(1.4)	3.0
Purchase of own shares by EBT (Note 16)	–	–	(2.9)	–	(2.9)
Tax on equity-settled share-based payments	–	–	–	0.4	0.4
At 31 March 2022	47.1	231.4	(3.0)	632.1	907.6
Profit and total comprehensive income for the year	–	–	–	142.5	142.5
Dividends (Note 16)	–	–	–	(88.6)	(88.6)
Equity-settled share-based payments (Note 5)	–	–	–	14.2	14.2
Settlement of share awards (Note 16)	0.2	4.6	2.9	(2.9)	4.8
Purchase of own shares by EBT (Note 16)	–	–	(2.1)	–	(2.1)
Tax on equity-settled share-based payments	–	–	–	0.1	0.1
At 31 March 2023	**47.3**	**236.0**	**(2.2)**	**697.4**	**978.5**

NOTES TO THE COMPANY ACCOUNTS

For the year ended 31 March 2023

1 General information

RS Group plc (the Company) is the parent company of the RS Group and is included in the consolidated accounts of RS Group plc (the Group accounts). The Company is a public limited company and is incorporated, registered and domiciled in England and Wales. The address of its registered office is Fifth Floor, Two Pancras Square, London N1C 4AG, UK.

2 Statement of compliance

The individual 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.

3 Basis of preparation

These are the Company's separate accounts and have been 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 and loss. They are presented in sterling and rounded to the nearest £0.1 million. The principal accounting policies have been applied consistently unless otherwise stated.

The preparation of accounts under FRS 102 requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant that are included in these accounts.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The Company has taken advantage of the following disclosure exemptions available under FRS 102:

i. preparation of a cash flow statement
ii. financial instrument disclosures
iii. share-based payment disclosures
iv. key management personnel compensation disclosure

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 profit or loss.

4 Employees

Average number of employees	2023	2022
Management and administration	**63**	57

Aggregate employment costs	2023 £m	2022 £m
Wages and salaries	**8.0**	8.2
Social security costs	**1.9**	0.9
Share-based payments – equity-settled (Note 5)	**3.8**	2.8
Share-based payments – cash-settled	**(0.2)**	0.7
Defined contribution retirement benefit costs (Note 6)	**0.3**	0.3
	13.8	12.9
Termination benefits	**1.4**	–
Total	**15.2**	12.9

Information on the Directors' remuneration is in the Directors' Remuneration Report on pages 112 to 132.

The numbers and costs above are for employees who work for the Company. There are a number of Group employees whose contracts of employment are with the Company but who actually work in its subsidiaries and perform no services directly for the Company. These employees are not included above.

5 Share-based payments

The Company operates a number of share-based payment schemes for employees of the Group, details of which are in Note 8 of the Group accounts. Certain of the Company's employees participate in the equity-settled LTIPs, DSBP and equity-settled SAYE which grant rights to the Company's own equity instruments and hence are accounted for as equity-settled share-based payments.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

For the year ended 31 March 2023

6 Post-employment benefits

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

Defined benefit 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 RS Components Limited, the main UK trading subsidiary of the Company, are the sponsoring employers. The majority of the scheme members work for RS Components Limited and so it accounts for the UK scheme as a defined benefit scheme in its accounts. The Company recognises a cost equal to its contributions.

Details of the UK defined benefit scheme is in Note 9 of the Group accounts.

Defined contribution scheme

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

7 Tangible assets

Tangible assets are stated at cost (or deemed cost for the freehold warehouse facility which is occupied by a wholly-owned subsidiary) less accumulated depreciation and any provisions for impairment. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any dismantling and restoration costs.

No depreciation has been charged on land. Other assets are depreciated to residual value on a straight-line basis over the following useful lives: investment property (freehold warehouse facility occupied by wholly-owned subsidiary) 50 years; leasehold improvements 10 years; plant and machinery 10 years; and computer equipment 5 years.

	Investment property £m	Leasehold improvements £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost					
At 1 April 2022 and 31 March 2023	**18.2**	**1.2**	**9.2**	**0.8**	**29.4**
Depreciation					
At 1 April 2022	2.5	0.5	9.2	0.8	13.0
Charged in the year	0.5	0.2			0.7
At 31 March 2023	**3.0**	**0.7**	**9.2**	**0.8**	**13.7**
Net book value					
At 31 March 2023	**15.2**	**0.5**	**–**	**–**	**15.7**
At 31 March 2022	15.7	0.7	–	–	16.4

8 Investments in subsidiaries

Investments in subsidiaries including long-term loans are carried at the lower of cost and expected recoverable amount. Impairments are recognised in the profit and loss account.

The expense relating to share-based payments that grant rights to the Company's equity instruments to employees of other Group companies is treated as an increase in investments with the corresponding credit taken directly to reserves. In the year ended 31 March 2023, this amounted to £10.4 million (2021/22: £7.2 million).

	Shares £m	Loans £m	Total £m
Cost			
At 1 April 2022	217.5	141.3	358.8
Additions	10.4	135.7	146.1
Loans repaid	–	(3.0)	(3.0)
Translation differences	–	5.1	5.1
At 31 March 2023	**227.9**	**279.1**	**507.0**
Impairments			
At 1 April 2022 and 31 March 2023	**0.4**	**15.4**	**15.8**
Net book value			
At 31 March 2023	**227.5**	**263.7**	**491.2**
At 31 March 2022	217.1	125.9	343.0

A list of the Company's related undertakings is in Note 29 to the Group accounts.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Financial instruments

Basic financial instruments

Basic financial assets, including cash and bank balances and amounts owed by subsidiary undertakings, are initially recognised at transaction price and then subsequently at amortised cost less any provision for impairment.

Basic financial liabilities, including accruals, other creditors, bank overdrafts and loans, private placement loan notes and amounts owed to subsidiary undertakings, are initially recognised at transaction price and then subsequently at amortised cost.

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 Company uses derivative financial instruments to cover its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates on behalf of its operating subsidiaries and these subsidiaries apply cash flow hedging where appropriate. In addition, the Company used interest rate swaps to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes.

All the Company's derivatives are measured at fair value with changes in the fair values recognised in profit or loss.

The interest rate swaps which swapped US dollar fixed rate private placement loan notes into floating US dollars matured during the year and, in line with the Company's risk management policies, had been designated as fair value hedges. The fair value of the swaps was the market value of the swaps at the balance sheet date, taking into account prevailing interest rates. Changes in the fair values of the swaps and changes in fair value of the related hedged items were recognised directly in profit or loss.

10 Debtors

	2023 £m	2022 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**988.1**	829.7
Interest rate swaps (Note 9)	**–**	0.1
Other derivative assets	**3.4**	4.7
Prepayments	**4.2**	2.7
Debtors: amounts falling due within one year	**995.7**	837.2
Amounts falling due after more than one year:		
Deferred tax asset (Note 13)	**2.2**	1.8
Debtors: amounts falling due after more than one year	**2.2**	1.8

Amounts owed by subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

11 Creditors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed to subsidiary undertakings	**363.8**	209.0
Bank overdrafts	**134.0**	85.9
Interest rate swaps (Note 9)	**–**	0.2
Other derivative liabilities	**3.4**	4.7
Accruals	**10.3**	8.2
Other creditors	**0.2**	0.2
Cash-settled share-based payment liability	**0.3**	0.4
	512.0	308.6

Amounts owed to subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

For the year ended 31 March 2023

12 Creditors: amounts falling due after more than one year

	2023 £m	2022 £m
Unsecured private placement loan notes repayable after more than five years	**80.0**	75.5
Unsecured private placement loan notes repayable from four to five years	**–**	76.2
Unsecured private placement loan notes repayable from three to four years	**80.4**	–
Unsecured sustainability-linked loan repayable from four to five years	**24.2**	–
Other creditors	**0.7**	0.9
Cash-settled share-based payment liability	**0.3**	0.4
	185.6	153.0

Details of the US dollar private placement loan notes and sustainability-linked loan are in Notes 20 to 22 of the Group accounts.

13 Deferred tax

The charge or credit for taxation is based on the taxable profit or loss for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are attributable to the following:

	2023 £m	2022 £m
Equity-settled share-based payments	**2.1**	1.7
Other	**0.1**	0.1
Deferred tax asset (Note 10)	**2.2**	1.8

There are no unused tax losses or unused tax credits.

14 Operating lease commitments

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

	2023 £m	2022 £m
Within one year	**1.2**	1.2
From one to five years	**4.0**	4.9
After five years	**–**	0.3
	5.2	6.4

15 Contingent liabilities

The Company enters into financial guarantee contracts to guarantee the indebtedness of certain other companies within the Group. 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 bank facilities available to certain subsidiaries, up to a maximum of £81.4 million (2021/22: £77.5 million), of which £9.3 million (2021/22: £9.5 million) had been drawn down at the end of the year.

16 Capital and reserves and dividends

Details of the Company's share capital, share premium account, EBT and dividends paid to shareholders are in Notes 12 and 25 of the Group accounts.

The Company has sufficient distributable reserves to pay dividends for a number of years and is also able to increase its distributable reserves further by receiving distributions from its subsidiaries.

FIVE YEAR RECORD

Year ended 31 March

Summary income statements and related metrics

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	**2,982.3**	2,553.7	2,002.7	1,953.8	1,884.4
Operating profit	**383.0**	308.8	167.2	205.3	201.0
Add back: amortisation and impairment of acquired intangibles	**16.6**	11.6	7.0	5.4	4.4
Add back: acquisition-related items	**2.6**	–	2.9	–	–
Add back: substantial reorganisation costs, substantial asset write-downs and one-off pension cost	**–**	–	11.2	10.0	14.9
Adjusted operating profit	**402.2**	320.4	188.3	220.7	220.3
Net finance costs	**(12.2)**	(7.1)	(6.8)	(5.9)	(6.1)
Share of profit of joint venture	**0.7**	0.5	0.2	0.2	0.3
Adjusted profit before tax	**390.7**	313.8	181.7	215.0	214.5
Amortisation and impairment of acquired intangibles	**(16.6)**	(11.6)	(7.0)	(5.4)	(4.4)
Acquisition-related items	**(2.6)**	–	(2.9)	–	–
Substantial reorganisation costs, substantial asset write-downs and one-off pension cost	**–**	–	(11.2)	(10.0)	(14.9)
Profit before tax	**371.5**	302.2	160.6	199.6	195.2
Income tax expense	**(86.7)**	(72.2)	(35.1)	(44.9)	(47.1)
Profit for the year attributable to owners of the Company	**284.8**	230.0	125.5	154.7	148.1
Earnings per share	**60.4p**	48.9p	27.7p	34.7p	33.4p
Adjusted earnings per share	**63.6p**	51.3p	31.3p	37.7p	37.0p
Dividend per share[1]	**20.9p**	18.0p	15.9p	15.4p	14.8p

Summary balance sheets and other metrics

	2023 £m	2022 £m	2021 restated[3] £m	2020 £m	2019 £m
Non-current assets	**953.7**	706.1	711.0	573.4	463.4
Current assets	**1,590.3**	1,395.1	1,134.8	1,044.3	935.9
Current liabilities	**(838.9)**	(726.2)	(631.8)	(570.4)	(487.5)
Non-current liabilities	**(360.2)**	(266.5)	(314.6)	(327.4)	(322.5)
Net assets	**1,344.9**	1,108.5	899.4	719.9	589.3
Add back: net debt	**113.0**	42.1	122.0	189.8	122.4
Add back: retirement benefit net assets / obligations	**36.4**	12.4	55.7	55.8	83.6
Capital employed	**1,494.3**	1,163.0	1,077.1	965.5	795.3
Return on capital employed (ROCE)[2]	**30.8%**	28.7%	19.4%	24.0%	29.5%
Adjusted free cash flow	**263.6**	162.9	145.4	80.9	84.5
Average number of employees	**7,818**	7,383	6,806	7,044	6,603
Share price at 31 March	**914.0p**	1,084.0p	993.0p	516.2p	561.8p

1. An additional interim dividend for the year ended 31 March 2020 of 9.5p, to replace the deferred final dividend, was paid on 18 December 2020. This is included in the 2019/20 dividend per share amount.
2. ROCE for the years ended 31 March 2020 and before were updated in 2020/21 to be based on monthly average capital employed.
3. Restated in 2021/22 for measurement period adjustments for prior year acquisitions.