

RS COMPONENTS LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2022

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Registered Number: 1002091

Strategic Report

The Directors present their Strategic Report for the year ended 31 March 2022.

Principal activity, business review and key performance indicators

The principal activity of RS Components Limited (the Company) is an omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations. The Company is part of the RS Group (formerly Electrocomponents Group) (the Group) and is comprised of operations in the UK, with branch offices in South Africa and China (Taiwan), as well as the majority of the Group's central processes.

Turnover increased by 18% to £1,069.5 million (2021: £906.8 million) and profit before taxation increased by 88% to £188.2 million (2021: £100.3 million). The Company performed well during the year despite the UK's industrial production issues due to labour shortages relating to COVID-19 restrictions impacting the summer months and supply constraints impacting some industry verticals, especially those in heavy industry. Peer analysis suggests the Company increased market share significantly. Gross margin has benefited from product management work to reduce the level of discounting, set appropriate prices given inventory turn and pass-through cost of goods inflation. Distribution and marketing expenses were impacted by higher outbound freight costs relating to the UK leaving the EU (Brexit), cost inflationary pressures and continual investment in the Company's operating model. The Company is driving a lower cost to serve and generating operating profit conversion improvements.

Supply shortages were a significant challenge as demand recovered before manufacturing capacity resumed fully. However, the Company maintained relatively stable levels of availability due to forward planning, close relationships with suppliers and investment in its inventory position. The Company was able to limit as much of the supply disruption as possible through utilising its experience gained during Brexit, rerouting transport, advancing orders and holding greater inventory as a buffer. Although teams worked hard to mitigate industry-wide supply challenges and the effect of Brexit, there continued to be unavoidable impacts on delivery lead times especially across the UK border and inventory availability. Digital showed increased turnover as greater focus was placed on driving organic growth through search engine optimisation marketing, improving content and greater focus on delivering greater lifetime customer value. The Company's mobile responsive website has delivered a significant improvement in how easily its customers can search, find and order in real time during their production process.

The Company's net assets at 31 March 2022 were £282.4 million (2021: £151.5 million) with an increase in the amounts owed by other Group companies, due to higher intercompany sales in the final two months of the year, and an increase in inventory levels to protect supply given external supply challenges, especially since they were lower than the Company would have liked at 31 March 2021 due to delays caused by Brexit and the Suez Canal blockage. In addition, the Company's defined benefit pension scheme has moved on an accounting basis from a net deficit to a net surplus principally due to an increase in discount rate partially offset by an increase in inflation-linked assumptions, and an increase in the value of the assets.

In 2022 the Company's employee numbers were 2,905 (2021: 2,981).

Section 172(1) statement

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

From the perspective of the Directors, as a result of the Group governance structure, whereby two of the Company's directors are also the Group executive directors and the other two Company directors are senior managers in the Group, and the Company being the largest UK subsidiary in the Group representing c. 23% of the Group's external revenue and operating the majority of the Group's central processes, the matters that the Directors are responsible for considering under section 172 have been considered to an appropriate extent by the Group Board in relation to both the Group and the Company. The Directors have also considered relevant matters where appropriate which are summarised below. To gain a more detailed understanding of the development, performance and position of the Company under section 172, an explanation of how the Group Board has considered these matters is set out on pages 83, 92 to 95 of the 2022 RS Group plc Annual Report and Accounts.

The Company continues to prioritise the health, safety and wellbeing of its employees, building a purpose-led culture and investing in its people to attract and retain the best talent. It invests in skills, education and formal training programmes through the Group's My Academy platform. Also, detailed information of how the Directors have supported the Company's employees is included in employee engagement on page 3 as well as in the 2022 RS Group plc Annual Report and Accounts on pages 69 to 73.

It is important to foster the Company's business relationships with its customers, suppliers and regulators. The Company is a strategic go-to partner providing product and service solutions enabling its customers to achieve their goals sustainably. It engages with its suppliers and provides insight to expand revenue and develop new products while raising supply chain standards. The Company is also supporting all its stakeholders as it expands its product and service solutions and in 2023 is introducing a new range of RS sustainable products. It works in its communities to build skills of young engineers through RS DesignSpark and the Group's Grass Roots education programme, fostering sustainable innovation to inspire a more inclusive, diverse and sustainable world.

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

Strategic Report (continued)

Future developments

The Company plans to continue implementing the Group's strategy as outlined in the 2022 RS Group plc Annual Report and Accounts, focusing on its five strategic priorities:

- High-performance team
- Best customer and supplier experience
- Innovation
- Operational excellence
- Reinvestment to accelerate growth

The next phase of implementing the Group's strategy is called Journey to Greatness as the Company and the wider Group move from the good business they are today to a truly great one. This is also described in more detail in the 2022 RS Group plc Annual Report and Accounts.

Principal risks and uncertainties

Principal risks and uncertainties affecting the Company are summarised below. The Company is also exposed to other risks and uncertainties that affect the Group as a whole and are described more fully in the 2022 RS Group plc Annual Report and Accounts. The risk associated with the UK's exit from the EU has been removed from this year's identified principal risks, a new risk reflecting the increasing geopolitical uncertainties and how they may affect the business model and the Company's profitability has been added and the climate change related risk is now a principal risk (previously listed as an emerging risk).

Prolonged effects of the ongoing COVID-19 pandemic: This includes the uncertainties associated with the pandemic including changing customer demand, potential volatility in the recovery of receivables and associated liquidity risk, and delays and difficulties sourcing inventory and associated cost volatility. This risk also includes the uncertainty about the recovery phase: its speed, extent to which confidence recovers from its effects and any other effects, such as supply constraints and inflation. Looking further ahead there will be the risk associated with further outbreaks. However the scale, duration and extent of the effects of the pandemic are better understood and managed hence the risk will continue to reduce. The Company, as part of the Group, has undertaken mitigating actions to attempt to reduce the impact of the pandemic on the business, further details of which are available in the 2022 RS Group plc Annual Report and Accounts.

Fail to respond to strategic market shifts, for example, changes in customer demands / competitor activity and related stakeholder requirements: There is a risk of unforeseen changes in customer and market assumptions on which the Company's performance plans are based. Such changes in customer and competitor behaviours continue to accelerate market developments.

Potential impact on the business due to climate change effects: The Company could be unprepared for the various consequences of climate change. This could be either: the physical risks of more extreme weather conditions (heat / flooding) affecting supply chain channels and disrupting customer service; or the transition risks associated with the consequences of the migration to a carbon neutral economy, including the impact on the transport of inventory both within the Company and to customers. The Company, as part of the Group, has undertaken detailed climate scenario analysis and has strategies and controls in place to mitigate physical climate-related risks on operations and wider supply chain, further details of which are available in the 2022 RS Group plc Annual Report and Accounts.

Foreign exchange risk: The Company's sales in Taiwan and South Africa are in the currencies of those countries and the UK has an export business, of which a small proportion of turnover is denominated in euros and US dollars. The Company also makes purchases in foreign currencies. The Company is therefore exposed to the movement of these currencies against sterling on its foreign currency-denominated sales and purchases. The Group's treasury function manages this risk at a Group level and on behalf of the Company, further details of which are available in the 2022 RS Group plc Annual Report and Accounts. Derivatives used for this purpose are foreign exchange forward contracts which are accounted for as cash flow hedges and recognised on the balance sheet at fair value.

Effects on the business due to geopolitical developments: There is an increasing risk of future global destabilisation with impacts on international business activities such as increasing operating costs, additional trade sanctions and supply chain delays.

Financial risk management

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

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

On behalf of the Board:



D Egan
Director
28 July 2022

Directors' Report

The Directors present their Report and the audited accounts for the year ended 31 March 2022.

Directors

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

L Ruth
D Egan
M J England
E J Pointon

Directors' and Officers' liability insurance

In accordance with the Company's Articles of Association, the ultimate parent company (Note 29) entered into a deed in 2007 to indemnify the Directors (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this report was approved) is available at the registered office of the Company. The ultimate parent company purchased and maintained Directors' and Officers' liability insurance throughout 2021, which was renewed for 2022, for each of its Directors and each of the Directors of its subsidiary companies. It remains in force at the date of approval of this Directors' Report. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

Dividends

During the year, the Company paid a final dividend of £50.0 million in respect of the year ended 31 March 2021 (2021: £100.0 million in respect of the year ended 31 March 2020). The Directors propose a final dividend of £130.0 million for the year ended 31 March 2022 (2021: £50.0 million).

Employee engagement

The Company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the Company's performance. Through the Company's intranet site and other tools such as Microsoft Yammer, staff newsletters and regular meetings, employees are provided with information relating to the performance of the Company and on other matters of concern to them as employees. Employee representatives are consulted regularly on a wide range of matters affecting their interests. Employees are encouraged to participate in the performance of the Company by the Group's Savings-Related Share Option Scheme. Further details can be found in Note 10.

Building a purpose-led, high-performance culture needs insight and solid foundations. Listening to employees is critical to understand progress and areas to improve. The Company, as part of the Group, regularly runs employee engagement surveys, known as My Voice. A virtual employee engagement session was also held during the year via the Group's online Management Matters platform. It was hosted by one of the Group's Board non-executive directors and included the Company's employees. The Group's Board received a report on the session and the Company Directors used this information to assess how management was taking care of its employees.

Employment of disabled persons

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

Business relationships

From the perspective of the Directors, as a result of the Group governance structure, the Group Board has taken the lead in carrying out the duties of a Board in respect of the Company's other stakeholders. The Directors have also considered relevant matters where appropriate. An explanation of how the Group Board has had regard to the need to foster the Company's business relationships with its suppliers, clients and others and the effect of that regard, including on the principal decisions taken by the Company during the year, is considered in the Strategic Report on page 1 of this annual report and accounts and on pages 83, 92 to 95 of the RS Group plc Annual Report and Accounts.

Other information to report

The following information is set out on the pages below:

- Financial results – page 7
- Financial instruments and financial risk management – pages 2, 12, 17 and 18
- Likely future developments – page 2
- Branches outside of the UK – page 1

Disclosure of information to auditors

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

Directors' Report (continued)

Corporate governance arrangements

During the year, the Company's parent company, RS Group plc (formerly Electrocomponents plc), applied the UK Corporate Governance Code which was applied throughout the Group. In doing so, the Company's governance arrangements reflect those that are set out in the 2022 RS Group plc Annual Report and Accounts on pages 84 to 99.

Statement of directors' responsibilities in respect of the accounts

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

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

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

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

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

On behalf of the Board:



D Egan
Director
28 July 2022

Independent auditors' report to the members of RS Components Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the Annual Report), which comprise: the Balance Sheet as at 31 March 2022; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided. We have provided no non-audit services to the Company in the period under audit.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

Based on 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Independent auditors' report to the members of RS Components Limited (continued)**Responsibilities for the financial statements and the audit****Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Audit procedures performed by the engagement team included:

- discussions with management
- assessment of matters reported on the Company's whistleblowing helpline and results of management's investigation of such matters
- challenging assumptions and judgements made by management in their significant accounting estimates
- identifying and testing higher risk journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, or unauthorised users or super-user access and sub-consolidation journals

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 financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting**Companies Act 2006 exception reporting**

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

- we have not 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Sandeep Dhillon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 July 2022

RS COMPONENTS LIMITED

Profit and Loss Account for the year ended 31 March 2022

	Note	2022 £m	2021 £m
Turnover	5	1,069.5	906.8
Cost of sales		(780.8)	(683.0)
Gross profit		288.7	223.8
Distribution and marketing expenses		(318.3)	(269.2)
Administrative expenses		(14.0)	(6.3)
Reorganisation costs	6	(0.3)	(4.4)
Other operating income		234.4	158.9
Operating profit	7	190.5	102.8
Interest payable	11	(2.3)	(2.5)
Profit before taxation		188.2	100.3
Tax on profit	12	(34.3)	(16.2)
Profit for the year		153.9	84.1

Statement of Comprehensive Income for the year ended 31 March 2022

	2022 £m	2021 £m
Profit for the year	153.9	84.1
Other comprehensive income / (expense)		
Net gain / (loss) on cash flow hedges	1.3	(2.5)
Remeasurement of net defined benefit liability	20.2	(61.8)
Tax on components of other comprehensive income / (expense)	(0.6)	12.2
Other comprehensive income / (expense) for the year	20.9	(52.1)
Total comprehensive income for the year	174.8	32.0

The notes on pages 10 to 19 are an integral part of these accounts.

RS COMPONENTS LIMITED

**Balance Sheet
as at 31 March 2022**

	Note	2022 £m	2021 £m
Fixed assets			
Intangible assets	13	64.8	60.1
Tangible assets	14	31.9	34.4
Investments	15	-	-
Total fixed assets		96.7	94.5
Current assets			
Inventories	16	248.2	201.6
Debtors: amounts falling due after more than one year	17	5.0	12.3
Debtors: amounts falling due within one year	17	382.3	330.7
Retirement benefit net assets		0.3	-
Cash at bank and in hand		-	4.0
Total current assets		635.8	548.6
Creditors: amounts falling due within one year	18	(448.0)	(448.3)
Net current assets		187.8	100.3
Total assets less current liabilities		284.5	194.8
Creditors: amounts falling due after more than one year	19	(2.1)	(1.9)
Retirement benefit obligations		-	(41.2)
Provisions for liabilities	21	-	(0.2)
Net assets		282.4	151.5
Capital and reserves			
Share capital	25	0.1	0.1
Share premium account		0.1	0.1
Hedging reserve		0.2	(0.9)
Profit and loss account		282.0	152.2
Total equity		282.4	151.5

The notes on pages 10 to 19 are an integral part of these accounts.

These accounts on pages 7 to 19 were approved by the Board of Directors on 28 July 2022 and were signed on its behalf by:



D Egan
Director
Company number: 1002091

RS COMPONENTS LIMITED

**Statement of Changes in Equity
for the year ended 31 March 2022**

	Share capital £m	Share premium account £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
At 1 April 2020	0.1	0.1	1.1	212.3	213.6
Profit for the year	-	-	-	84.1	84.1
Net loss on cash flow hedges	-	-	(2.5)	-	(2.5)
Remeasurement of net defined benefit liability	-	-	-	(61.8)	(61.8)
Tax on other comprehensive expense	-	-	0.5	11.7	12.2
Total comprehensive (expense) / income	-	-	(2.0)	34.0	32.0
Dividends (Note 26)	-	-	-	(100.0)	(100.0)
Equity-settled share-based payments	-	-	-	5.9	5.9
At 31 March 2021	0.1	0.1	(0.9)	152.2	151.5
Profit for the year	-	-	-	153.9	153.9
Net gain on cash flow hedges	-	-	1.3	-	1.3
Remeasurement of net defined benefit liability	-	-	-	20.2	20.2
Tax on other comprehensive income	-	-	(0.2)	(0.4)	(0.6)
Total comprehensive income	-	-	1.1	173.7	174.8
Dividends (Note 26)	-	-	-	(50.0)	(50.0)
Equity-settled share-based payments	-	-	-	6.1	6.1
At 31 March 2022	0.1	0.1	0.2	282.0	282.4

The notes on pages 10 to 19 are an integral part of these accounts.

Notes to the accounts

1. General information

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

2. Statement of compliance

The Company is included in the Parent Company's consolidated accounts which are publicly available (Note 29) and is therefore exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated accounts.

These separate accounts of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and the Companies Act 2006. They are presented in sterling and rounded to the nearest £0.1 million.

3. Summary of significant accounting policies

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

(a) Basis of preparation

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

The results of businesses acquired in the year are included from the effective date of acquisition. The net assets of businesses acquired are incorporated in the Company's accounts at their fair values at the date of acquisition.

Exemptions for qualifying entities under FRS 102

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

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

(b) 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.

(c) Turnover

Turnover from the sales of goods and services is recognised when the significant risks and rewards of ownership have been transferred, which is in most cases upon delivery to the customer. Turnover represents the sale of goods and services and is stated net of sales taxes and volume discounts. Freight recharged to customers is included within turnover.

(d) Cost of sales

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

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

(e) Other operating income

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

(f) Share-based payments

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

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

Notes to the accounts (continued)

3. Summary of significant accounting policies (continued)

(g) Post-employment benefits

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

Defined benefit pension scheme

There is no agreement or stated policy for charging the net defined benefit cost for the scheme to the individual Group entities. Both the Company and the Parent Company are the sponsoring employers. The majority of the scheme members work for the Company and so it accounts for the UK scheme as a defined benefit scheme in these accounts. Details of the pension scheme are disclosed in Note 10 to the Group Accounts of the 2022 RS Group plc Annual Report and Accounts.

The surplus or deficit recognised in the balance sheet is the difference between the fair value of the scheme assets and the present value of the obligation at the balance sheet date. The present value of the obligation is measured using the projected unit credit method and a discount rate reflecting yields on high-quality corporate bonds. Any surplus recognised is restricted to the amount that can be recovered through reduced contributions in the future, resulting in retirement benefit net assets of £0.3 million at 31 March 2022.

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

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

Defined contribution pension scheme

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

(h) Leases

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

(i) Interest payable

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

(j) Taxation

Current and deferred tax are recognised in the profit and loss account, except when they relate to items recognised directly in equity when the related tax is also recognised in equity. It includes tax relating to the overseas branches. Current tax is the amount of income tax payable in respect of the taxable profit for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

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

(k) Intangible fixed assets

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

Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. Amortisation is calculated to write off the cost on a straight-line basis at the following annual rates from the date the assets are first available for use: software 9%-50%; development expenditure 36%; customer contracts and relationships 21%; and acquired research 36%.

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

Notes to the accounts (continued)

3. Summary of significant accounting policies (continued)

(l) Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and any provisions for impairment. No depreciation has been charged on freehold land. Other tangible assets are depreciated to residual value, on a straight-line basis at the following annual rates: freehold and improvements to leasehold buildings 2% (or the lease term if shorter); plant and machinery 10% - 20%; and computer equipment 20% - 33%.

(m) Government grants

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

(n) Investments

Investments are held at cost less any accumulated impairment losses.

(o) Inventories

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

(p) Basic financial instruments

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

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

(q) Derivative financial instruments and hedging activities

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

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

(r) Distributions

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

4. Critical accounting judgements and estimation uncertainty

The preparation of accounts under FRS 102 requires the Company to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Except for judgements involved in estimations, no judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the accounts. The judgements involved in estimations take account of the likely impact of climate change, geopolitical uncertainties and the Company's latest assumptions of any likely further impact of the COVID-19 pandemic and its variants.

Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities in the next year. The significant estimates made in the accounts were in relation to retirement benefit net assets / obligations where the Company estimates the defined benefit pension scheme's surplus or deficit using assumptions that are based on historical experience and current trends supported by the expertise of external actuaries. These are described in Note 10 to the Group Accounts of the 2022 RS Group plc Annual Report and Accounts.

While not a significant estimate, the Company also focuses on estimates made in relation to the net realisable value of inventories in order to determine the value of any provision required. In this estimation judgements are made in relation to the number of years of sales there are in inventories of each product and the value recoverable from those inventories. The Company bases its estimates on recent historical experience and knowledge of the products on hand. Based on sensitivity analyses performed, the Company does not expect any reasonably likely changes, including regulatory changes and any further impacts of the COVID-19 pandemic and any future variants, to have a material impact on the net realisable value of inventories.

Notes to the accounts (continued)

5. Turnover

The Company has a single class of business being the omni-channel provision of industrial and electronic products and solutions. Turnover by geographical destination is as follows:

	2022	2021
	£m	£m
Europe	900.1	747.3
Asia	106.3	90.8
Rest of world	63.1	68.7
	<u>1,069.5</u>	<u>906.8</u>

6. Reorganisation costs

In September 2020 the Group launched RISE to enable it to move faster to accelerate the delivery of its strategy by simplifying its operating model, accelerating growth and reducing the cost to serve. Redundancy and associated costs of £0.3 million were incurred by the Company in the year ended 31 March 2022 (2021: £4.4 million).

7. Operating profit

Operating profit is stated after charging / (crediting):

	2022	2021
	£m	£m
Fee payable to the Company's auditors for the audit of the accounts	0.4	0.3
Depreciation of tangible assets	7.4	8.1
Amortisation of intangible assets	14.1	12.5
Amortisation of government grants	(0.1)	(0.1)
Loss on foreign exchange	0.5	0.2
Operating lease rentals payable	7.9	7.2

8. Directors' remuneration

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

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

	2022 Highest paid director £m	2022 Other directors £m	2021 Highest paid director £m	2021 Other directors £m
Aggregate remuneration	<u>0.6</u>	<u>0.2</u>	<u>0.4</u>	<u>0.2</u>

	Number of directors	
	2022	2021
Exercised share options in the Parent Company	3	2
Entitled to receive shares under the Parent Company's long term incentive schemes	<u>4</u>	<u>4</u>

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

9. Employees

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

	2022	2021
Management and administration	385	267
Distribution and marketing	<u>2,520</u>	<u>2,714</u>
	<u>2,905</u>	<u>2,981</u>

Notes to the accounts (continued)

9. Employees (continued)

Employee costs charged to profit and loss were as follows:

	2022 £m	2021 £m
Wages and salaries	105.5	98.7
Social security costs	11.4	11.0
Share-based payments – equity-settled	4.8	3.9
Share-based payments – cash-settled	0.9	0.9
Defined contribution retirement benefit costs	7.2	7.2
Defined benefit retirement benefit costs	4.0	3.3
	133.8	125.0
Termination benefits	1.0	3.8
	134.8	128.8

10. Share-based payments

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

Long Term Incentive Plan (LTIP)

As at 31 March 2022, outstanding LTIP awards are those made under the 2019 LTIP. Awards under the 2019 LTIP are subject to a service condition and normally a market performance condition based on total shareholder return (TSR) of the Group versus a defined comparator group and a non-market performance condition based on cumulative growth in Group adjusted earnings per share (EPS) over the vesting period with a Group return on capital employed (ROCE) underpin. At the vesting date, the award will either vest, in full or in part, or expire depending on the outcome of the performance conditions.

In June 2021, the final awards under the 2016 LTIP granted in 2019 vested. These awards were subject to a service condition, a market performance condition based on TSR of the Group versus a defined comparator group and non-market performance conditions based on cumulative growth in Group adjusted EPS over the vesting period and Group ROCE. They may have included a further award (a multiplier) that vested if the Group achieved exceptional Group adjusted EPS performance over the vesting period.

All awards have £nil exercise price and receive accrued dividends on settlement.

Savings-Related Share Option Scheme (SAYE)

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

Deferred Share Bonus Plan (DSBP)

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

11. Interest payable

	2022 £m	2021 £m
Interest payable to the Parent Company	(1.7)	(1.9)
Interest payable on bank overdrafts	(0.6)	(0.6)
	(2.3)	(2.5)

Notes to the accounts (continued)

12. Tax on profit

	2022 £m	2021 £m
Current tax		
Current tax on profits for the year	33.5	12.0
Adjustments for prior years	(1.6)	(0.6)
Total current tax	31.9	11.4
Deferred tax		
Origination and reversal of temporary differences	(0.7)	4.7
Changes in tax rates and laws	2.9	-
Adjustments for prior years	0.2	0.1
Total deferred tax	2.4	4.8
Tax on profit	34.3	16.2

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

	2022 £m	2021 £m
Profit before taxation	188.2	100.3
Expected tax charge at 19% (2021: 19%)	35.8	19.1
Effects of:		
Overseas taxes	0.2	0.1
Income not subject to tax	-	(0.3)
Changes in tax rates and laws	2.9	-
Adjustments for prior years	(1.4)	(0.5)
Group relief	(3.0)	(2.5)
Other adjustments	(0.2)	0.3
	34.3	16.2

Factors that may affect future tax

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

13. Intangible assets

	Goodwill £m	Software £m	Development expenditure £m	Customer contracts and relations £m	Acquired research £m	Total £m
Cost						
At 1 April 2021	1.9	259.8	1.8	0.4	1.0	264.9
Additions	-	20.9	-	-	-	20.9
Disposals	-	(22.2)	-	-	-	(22.2)
At 31 March 2022	1.9	258.5	1.8	0.4	1.0	263.6
Amortisation						
At 1 April 2021	-	204.7	0.1	-	-	204.8
Charged in the year	0.2	12.8	0.6	0.1	0.4	14.1
Disposals	-	(20.1)	-	-	-	(20.1)
At 31 March 2022	0.2	197.4	0.7	0.1	0.4	198.8
Net book value						
At 31 March 2022	1.7	61.1	1.1	0.3	0.6	64.8
At 31 March 2021	1.9	55.1	1.7	0.4	1.0	60.1

Notes to the accounts (continued)

14. Tangible assets

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost				
At 1 April 2021	31.8	109.4	63.4	204.6
Additions	-	4.8	0.2	5.0
Disposals	-	-	(20.7)	(20.7)
At 31 March 2022	31.8	114.2	42.9	188.9
Depreciation				
At 1 April 2021	19.6	91.6	59.0	170.2
Charged in the year	0.4	3.9	3.1	7.4
Disposals	-	-	(20.6)	(20.6)
At 31 March 2022	20.0	95.5	41.5	157.0
Net book value				
At 31 March 2022	11.8	18.7	1.4	31.9
At 31 March 2021	12.2	17.8	4.4	34.4

15. Investments

The Company directly holds shares in a number of Group companies and also operates branch offices in South Africa and China (Taiwan).

The Company's related undertakings as at 31 March 2022 are set out below. All operate within their country of incorporation.

Name and registered address of undertaking	Country of incorporation	% owned	Class of share held
<u>Holding, Financing and Management Companies</u>			
<u>Electrocomponents U.K. Limited</u> Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	33.333%	Ordinary
<u>Not currently trading</u> <u>Radiospares Limited</u> Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	50.000%	Ordinary

16. Inventories

	2022 £m	2021 £m
Raw materials and consumables	66.0	68.9
Finished goods and goods for resale	202.5	163.8
Gross inventories	268.5	232.7
Inventory provisions	(20.3)	(31.1)
Net inventories	248.2	201.6

During the year £2.1 million was recognised as an expense relating to the write-down of inventories to net realisable value (2021: £16.6 million including £12.7 million related to personal protective equipment (PPE) products bought at the start of the COVID-19 pandemic as a result of their significant decline in selling price).

Notes to the accounts (continued)

17. Debtors

	2022 £m	2021 £m
Amounts falling due after more than one year:		
Other debtors	0.1	0.2
Deferred tax (Note 22)	4.9	12.1
	<u>5.0</u>	<u>12.3</u>
Amounts falling due within one year:		
Trade debtors	98.4	85.8
Amounts owed by the Parent Company	57.4	57.9
Amounts owed by other Group companies	201.7	160.9
Other debtors	3.0	1.6
Other derivative assets (Note 20)	1.4	3.3
Corporation tax	2.7	6.2
Other taxation and social security	2.2	0.2
Prepayments and accrued income	15.5	14.8
	<u>382.3</u>	<u>330.7</u>

Trade debtors are stated after provisions for impairment of £1.5 million (2021: £1.9 million). The Company has historically experienced very low levels of trade debtors not being recovered, including those significantly past due, and this was also the case during 2022. However, with the continued uncertainty about the global economy, the Company remains cautious about its exposure and so has carefully reviewed, and maintained at a higher level, its provisions for those types of customers that are most affected.

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

18. Creditors: amounts falling due within one year

	2022 £m	2021 £m
Bank overdrafts	3.9	-
Trade creditors	198.6	163.5
Amounts owed to the Parent Company	170.8	225.5
Amounts owed to other Group companies	1.6	0.8
Other derivative liabilities (Note 20)	1.3	3.4
Other creditors	10.0	7.7
Taxation and social security	1.1	1.0
Government grants	0.1	0.1
Accruals	60.6	46.3
	<u>448.0</u>	<u>448.3</u>

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

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

	2022 £m	2021 £m
Government grants	1.0	1.0
Other creditors	1.1	0.9
	<u>2.1</u>	<u>1.9</u>

Notes to the accounts (continued)

20. Derivative financial instruments

	2022		2021	
	Debtors £m	Creditors £m	Debtors £m	Creditors £m
Forward foreign exchange contracts designated as cash flow hedges	1.4	(0.6)	2.9	(3.4)
Forward foreign exchange contracts classified at fair value through profit or loss	-	(0.7)	0.4	-
	<u>1.4</u>	<u>(1.3)</u>	<u>3.3</u>	<u>(3.4)</u>

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

For the year ended 31 March 2022, cash flow hedge gains of £0.2 million (2021: losses of £1.1 million) were reclassified from equity to inventories, cash flow hedge losses of £0.1 million (2021: £0.7 million) reclassified from equity to profit or loss for the year and cash flow hedge gains of £1.4 million (2021: losses of £4.3 million) were recognised directly in equity.

21. Provisions for liabilities and charges

	Reorganisation provision £m
At 1 April 2021	0.2
Charge for the year	0.3
Utilised	(0.5)
At 31 March 2022	<u>-</u>

22. Deferred tax

Deferred tax assets are attributable to the following:

	2022 £m	2021 £m
Accelerated capital allowances	0.4	0.8
Retirement benefit net assets / obligations	(0.1)	7.8
Employee benefits	4.0	2.6
Other timing differences	0.6	0.9
Deferred tax asset (Note 17)	<u>4.9</u>	<u>12.1</u>

23. Operating lease commitments

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

	2022 £m	2021 £m
Within one year	7.8	7.9
From one to five years	7.6	13.4
After five years	1.6	2.6
	<u>17.0</u>	<u>23.9</u>

24. Capital commitments

As at 31 March 2022, the Company is contractually committed to, but has not provided for, future capital expenditure of £5.4 million (2021: £0.7 million), all of which is for intangible assets.

25. Share capital

	Number	£m
Issued and fully paid ordinary shares of £1.00 each:		
At 1 April 2021 and 31 March 2022	<u>50,000</u>	<u>0.1</u>

Notes to the accounts (continued)

26. Dividends

During the year, the Company paid a final dividend of £50.0 million in respect of the year ended 31 March 2021 (2021: £100.0 million in respect of the year ended 31 March 2020).

The Directors recommend the payment of a final ordinary dividend of £130.0 million for the year ended 31 March 2022 (2021: £50.0 million).

27. Contingent liabilities

The Company has entered into financial guarantee contracts to guarantee, jointly with another RS Group company, the indebtedness of the Parent Company. The Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Guarantees exist in respect of the Parent Company's private placement loan notes and syndicated multi-currency facility, up to a maximum of £451.7 million (2021: £447.3 million), of which £151.7 million (2021: £147.3 million) had been drawn down at the end of the year.

28. Related party transactions

The Company made sales of £3.1 million (2021: £1.9 million) to RS Components & Controls (India) Limited, a joint venture of the Group, and a balance of £1.8 million (2021: £1.7 million) was outstanding at the balance sheet date and included within Debtors: amounts falling due within one year – amounts owed by other Group companies (Note 17).

29. Controlling parties

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