

Company Registration No. 00319964 (England and Wales)

TUFFNELLS PARCELS EXPRESS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

TUFFNELLS PARCELS EXPRESS LIMITED

COMPANY INFORMATION

Directors	M Holt (Chairman)	{Appointed 2 May 2020}
	C Rolandi (Non-executive)	{Appointed 2 May 2020}
	C Tresadern	{Appointed 2 May 2020}
	I Brewer	{Appointed 2 May 2020}
	A Watson	{Appointed 2 May 2020}

Company number 00319964

Registered office Unit 1 Meadowhall Business Park
Carbrook Hall Road
Sheffield
S9 2EQ

Auditor Littlestone Golding
17 Cavendish Square
London
W1G 0PH

TUFFNELLS PARCELS EXPRESS LIMITED

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TUFFNELLS PARCELS EXPRESS LIMITED

STRATEGIC REPORT

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

The directors present the strategic report and audited financial statements for the 16 month period ended 31 December 2020 with comparative information for the year ended 31 August 2019.

Promoting the success of the company

Throughout 2019 and 2020, the directors have complied with the requirements of Section 172 of the Companies Act 2006, in promoting the long-term success of the Company for the benefit of all stakeholders. The following disclosure describes how the directors have acted in regard to the matters set out in section 172.

Employees

Tuffnells is committed to providing a diverse and inclusive working environment and helping our employees gain skills that support their personal ambitions and drive the business forward. This is evidenced by the recent launch of our Green Shoots development programme. The Company recognises the need to ensure effective communication with employees and does this in a variety of ways, such as holding regular Executive update sessions and distributing company newsletters, alongside other informal communications.

Customers

We continue to work on long-term relationships with our customers and strive to offer the best customer service in the industry. To progress with this, the Company has embarked on a fleet refreshment programme to improve reliability and reduce its carbon footprint. We have in place two UK-based Customer Experience Centres, ensuring we are available to take our customer calls, and we utilise the services of Trustpilot to gain customer feedback.

Suppliers

Our suppliers and subcontractors are critical to our operations, and we take a long-term collaborative approach to working with them, recognising our responsibility to pay our suppliers to term.

Communities

We take our social responsibilities seriously, contributing to local community schemes. The Company recently sponsored a snowflake with The Sheffield Children's Hospital.

High Standards of Business Conduct

The Company recognises the need to conduct its business in a way that is ethical, safe, compliant and of a high standard. Where a material business decision is taken, and it is practical, all affected stakeholders will be consulted. It is a priority of the Company to act in a fair and responsible manner and forge a reputation of working to the highest standards, whilst providing a return to its investors.

TUFFNELLS PARCELS EXPRESS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

Review of the business, performance and future developments

The company is a recognised leader in the movement of combined parcels, pallets and consignments of irregular dimensions and weight. Specialising in express consignment collection and delivery throughout the UK, Ireland and internationally, operating across multiple industry sectors.

Between 1st September 2019 and 1st May 2020 the company was under the ownership of Smiths News Group Plc (formerly Connect Group Plc). During this eight month period four depots were closed as the company responded to the Covid-19 epidemic and rationalised its customer base. This led to a reduction in volume capacity, service deterioration and reduced revenue.

On 2nd May 2020 the company returned to private ownership, as Smith News Group Plc completed the sale to Tuffnells Holdings Limited.

The eight month period since change of ownership saw an improvement in revenue to £114.3 million for May to December 2020 from £98.2 million for September 2019 to April 2020). Coupled with strong, but sensible, cost controls built around providing a quality of service yielded a gross margin of 21.6% for the period May to December 2020 compared to 11.3% for September 2019 to April 2020. Operating losses excluding exceptional items reduced to £0.7 million for May to December 2020 from an operating loss of £18.3 million for September 2019 to April 2020). The final six months of 2020 (July to December) reported an operating profit of £1.05 million.

	Sept 2019 to April 2020 £'000	May 2020 to Dec 2020 £'000	Change	Total £'000	July 2020 to Dec 2020 £'000
NET REVENUE	98,192	114,302	16.4%	212,494	86,787
COST OF SALES	87,083	89,653	3.0%	176,736	66,728
GROSS PROFIT/(LOSS)	11,109	24,649	121.9%	35,758	20,059
GROSS MARGIN	11.3%	21.6%		16.8%	23.1%
DEPOT OVERHEADS	18,179	16,215	-10.8%	34,394	12,058
CENTRAL OVERHEADS	11,205	9,143	-18.4%	20,348	6,952
OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS	(18,275)	(709)	-96.1%	(18,984)	1,049

The improved financial and operational performance coincided with a strengthening of the executive board and investment in resource throughout the network.

Future expectations Principal risks and uncertainties

The Company expects volume and revenue growth, as a result of service improvements. Profits are expected to follow. Management consider that the key risk to the company is the continuing uncertainty around the impact of the post Brexit trade deal on the supply chain, plus the generic competitive forces within the parcel delivery sector. As the economy emerges from the Covid-19 epidemic uncertainty exists around the short and long term economic impact. The company's operations expose it to a variety of financial risks that include credit risk, interest rate risk and liquidity risk. The company has robust internal procedures to monitor cash and liquidity, sales, cost and profit performance. The company strives to provide industry leading customer service to mitigate these risks.

TUFFNELLS PARCELS EXPRESS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

Key performance indicators

KPI	16 months to 31 December 2020	Year ended 31 August 2019	Year ended 31 August 2018
Revenue (£'000)	212,494	164,450	175,195
Gross profit (£'000)	35,758	25,062	42,366
Gross profit margin	16.8%	15.2%	24.2%
Operating profit/(loss) before exceptional items (£'000)	(18,984)	(14,599)	(5,157)
Revenue per employee (annualised)	65	60	63

On behalf of the board

M Holt
Chairman

6 May 2021

TUFFNELLS PARCELS EXPRESS LIMITED

DIRECTORS' REPORT

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the 16 month period ended 31 December 2020 with comparative information for the year ended 31 August 2019.

Principal activities

The principal activity of the Company during the year continued to be that of a distributor of mixed and irregular freight throughout the United Kingdom.

Results and dividends

The results for the 16 month period are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the 16 month period and up to the date of signature of the financial statements were as follows:

M Holt (Chairman)	(Appointed 2 May 2020)
C Rolandi (Non-executive)	(Appointed 2 May 2020)
C Tresadern	(Appointed 2 May 2020)
I Brewer	(Appointed 2 May 2020)
A Watson	(Appointed 2 May 2020)
P Birks	(Resigned 18 November 2019)
A Blakeley	(Appointed 2 May 2020 and resigned 20 October 2020)
J Bunting	(Appointed 18 November 2019 and resigned 2 May 2020)
J Dawson	(Appointed 2 May 2020 and resigned 19 June 2020)
J Garat	(Appointed 2 May 2020 and resigned 25 June 2020)
A Grace	(Resigned 2 May 2020)

Qualifying third party indemnity provisions

The Company maintains liability insurance for its directors, with a cover limited for each claim or a series of claims against them in that capacity. The directors have also been granted a qualifying third party provision under section 234 of the Companies Act 2006.

Disabled persons

It is the Company's practice to facilitate the employment of disabled persons and to provide, whenever possible, opportunities for training, career development and promotion. In the event of employees becoming disabled in the service of the Company, every effort would be made to rehabilitate them in the former jobs or some other suitable alternative, and to provide appropriate training and specialist advice.

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its core philosophy. The Company encourages the involvement of employees by means of Town Halls and colleague advisory forums.

The Strategic Report includes commentary on the Company's engagement with its employees and how it takes account of their interests and the effect this has had on company's principal decisions.

TUFFNELLS PARCELS EXPRESS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

Business relationships

The Strategic Report includes commentary on how the Company has had regard to the need to foster business relationships with suppliers, customers and others including its effect on the principal decisions taken during the year.

Auditor

Littlestone Golding were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon report

The Company's greenhouse gas emissions, reportable under Streamlined Energy and Carbon Reporting (SECR) for the 16 month period from 1 September 2019 to 31 December 2020 were 46,880 tonnes CO₂e. These include the emissions associated with electricity and natural gas consumption, gas oil, and business travel in company. The Company's greenhouse gas emissions for the period are broken down as follows:

Emissions source	Tonnes CO ₂ e	Share %
Natural Gas	232	0.5%
Transportation Fuel	45,491	97.0%
Electricity	1,157	2.5%
Total emissions (tCO ₂ e)	46,880	100.0%

The annual quantity of energy consumed from activities for which the Company is responsible are set out below:

Emissions source	kWh	Share %
Natural Gas	1,259,997	0.7%
Transportation Fuel	189,100,529	97.0%
Electricity	4,568,742	2.3%
Total	194,929,268	100.0%

An 'operational control' approach has been used to define the greenhouse gas emissions boundary. This approach captures emissions associated with the operation of all the Company's buildings such as warehouses, offices and sites, plus company-owned and leased transport. This information covers UK operations only, as required by SECR for Non-Quoted Large Companies. This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019. Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope. The reporting period is September 2019 to December 2020, as per the financial accounts.

During the SECR reporting period the following energy efficiency initiatives have been noted for Tuffnells Parcels Express Limited: Solar panels have been installed at the Sheffield site; Inenco manage the energy for the Company (including price and invoice management); most lighting has been replaced with LED; and some new energy-efficient gas boilers have been installed. Before 2020 driver training was required to help limit fuel consumption on the roads. However, the effects of the pandemic have limited this during the whole SECR reporting period.

TUFFNELLS PARCELS EXPRESS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 financial statements comply with the Companies Act 2006. They 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

I Brewer
Director

6 May 2021

TUFFNELLS PARCELS EXPRESS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TUFFNELLS PARCELS EXPRESS LIMITED

Opinion

We have audited the financial statements of Tuffnells Parcels Express Limited (the 'company') for the 16 month period ended 31 December 2020 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the 16 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

TUFFNELLS PARCELS EXPRESS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TUFFNELLS PARCELS EXPRESS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial 16 month period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

TUFFNELLS PARCELS EXPRESS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TUFFNELLS PARCELS EXPRESS LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Derek Humphrey BA ACA (Senior Statutory Auditor)
For and on behalf of Littlestone Golding

6 May 2021

Chartered Accountants
Statutory Auditor

17 Cavendish Square
London
W1G 0PH

TUFFNELLS PARCELS EXPRESS LIMITED

INCOME STATEMENT

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

		16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
	Notes		
Revenue	3	212,494	164,450
Cost of sales		(176,736)	(139,238)
Gross profit		35,758	25,212
Administrative expenses		(55,764)	(39,811)
Other operating income		1,022	-
Exceptional items	4	25,588	(14,435)
Operating profit/(loss)	5	6,604	(29,034)
Finance costs	8	(539)	(228)
Profit/(loss) before taxation		6,065	(29,262)
Tax on profit/(loss)	9	423	8,701
Profit/(loss) for the financial 16 month period		6,488	(20,561)

The income statement has been prepared on the basis that all operations are continuing operations.

TUFFNELLS PARCELS EXPRESS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Profit/(loss) for the 16 month period	6,488	(20,561)
Other comprehensive income		
Actuarial gain/(loss) on defined benefit pension schemes	66	(814)
Tax relating to other comprehensive income	(13)	149
Other comprehensive income for the 16 month period	53	(665)
Total comprehensive income for the 16 month period	6,541	(21,226)

TUFFNELLS PARCELS EXPRESS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11		343		-
Property, plant and equipment	12		14,654		20,828
			<u>14,997</u>		<u>20,828</u>
Current assets					
Inventories	13	535		436	
Trade and other receivables - deferred tax	20	5,049		3,672	
Trade and other receivables - other	14	17,323		18,428	
Cash and cash equivalents		6,524		-	
		<u>29,431</u>		<u>22,536</u>	
Current liabilities	15	(25,761)		(31,695)	
Net current assets/(liabilities)			<u>3,670</u>		<u>(9,159)</u>
Total assets less current liabilities			<u>18,667</u>		<u>11,669</u>
Non-current liabilities	16		(3,859)		(928)
Provisions for liabilities	19		(2,253)		(3,716)
Net assets excluding pension liability			<u>12,555</u>		<u>7,025</u>
Defined benefit pension liability	21		(1,856)		(2,867)
Net assets			<u><u>10,699</u></u>		<u><u>4,158</u></u>
Equity					
Called up share capital	22		1,113		1,113
Share premium account			9,455		9,455
Retained earnings			131		(6,410)
Total equity			<u><u>10,699</u></u>		<u><u>4,158</u></u>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2021 and are signed on its behalf by:

M Holt
Chairman

I Brewer
Director

Company Registration No. 00319964

TUFFNELLS PARCELS EXPRESS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 1 September 2018	1,113	9,455	14,816	25,384
Period ended 31 August 2019:				
Loss for the period	-	-	(20,561)	(20,561)
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(814)	(814)
Tax relating to other comprehensive income	-	-	149	149
Total comprehensive income for the period	-	-	(21,226)	(21,226)
Balance at 31 August 2019	1,113	9,455	(6,410)	4,158
Period ended 31 December 2020:				
Profit for the period	-	-	6,488	6,488
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	66	66
Tax relating to other comprehensive income	-	-	(13)	(13)
Total comprehensive income for the period	-	-	6,541	6,541
Balance at 31 December 2020	1,113	9,455	131	10,699

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Tuffnells Parcels Express Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 1 Meadowhall Business Park, Carbrook Hall Road, Sheffield, S9 2EQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with applicable accounting standards and in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the 16 month period ended 31 December 2020 are the first financial statements of Tuffnells Parcels Express Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 September 2018. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 25.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Tuffnells Holdings Limited. These consolidated financial statements are available from Companies House.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Future expectations and Principle risks and uncertainties sections of the Strategic Report.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Reporting period

The financial statements are prepared for the 16 month period ended 31 December 2020 with comparative information for the year ended 31 August 2019 and therefore the comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

The Company's reporting date was changed to 31 December so as to be co-terminus with the reporting date of its ultimate parent undertaking, Tuffnells Holdings Limited.

1.4 Revenue

Revenue is recognised on the delivery of services to which it relates at the fair value of the consideration received or receivable based on agreed rates net of discounts, VAT and other sales related taxes.

1.5 Intangible fixed assets other than goodwill

Intangible assets with finite useful lives that are acquired separately are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful which is 3 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis.

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Land: not depreciated; buildings: 2% to 5%
Long leasehold land and buildings	Land: not depreciated; buildings: 2% to 5%
Short leasehold land and buildings	Lease life
Fixtures and fittings	10% - 40%
Plant and machinery	10% - 40%
Computer equipment	10% - 40%
Motor vehicles and trailers	12.5% to 25%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the Income Statement.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value and on a first in, first out basis. Cost represents the direct cost of stocks.

There is no material difference between the carrying value of inventories and their replacement cost.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Retirement benefit obligation estimate

The Company recognised and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of FRS 102. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase on salaries and life expectancy, amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. Management make these judgements in consultation with an independent actuary. Details of the judgements made in calculating the transactions are disclosed in note 21.

3 Revenue

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Revenue analysed by class of business		
Parcel collection and deliveries	212,494	164,450
	<u>212,494</u>	<u>164,450</u>
	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Other significant revenue		
Grants received	1,022	-
	<u>1,022</u>	<u>-</u>

Grant income represents amounts receivable under the Government's Coronavirus Job Retention Scheme.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

3 Revenue		(Continued)	
	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000	
Revenue analysed by geographical market			
All revenue originates in the United Kingdom	212,494	164,450	
	<u>212,494</u>	<u>164,450</u>	
4 Exceptional items			
	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000	
Group debt waiver	(19,910)	-	
Impairment of assets	-	13,134	
Profit on property disposals	(8,431)	-	
Other exceptional items	2,753	1,301	
	<u>(25,588)</u>	<u>14,435</u>	

Group debt waiver

As part of the disposal of the Company by Smiths News Plc (formerly Connect Group Plc) on 2 May 2020, repayments of amounts owed by the Company to its group undertakings were formally waived, which results in a credit to the Income Statement of £19.9 million.

Impairment of assets

During the previous period management reviewed the carrying value of the Tuffnells business unit and concluded that an impairment charge of £13.1 million was required in respect of property, plant and equipment, and intangible assets.

Profit on property disposals

During the period the Company sold and leased back eight properties which realised a total profit on disposal of £8.4 million.

Other exceptional items

Other exceptional items incurred during the period include costs relating to business restructuring and one-off costs arising from the sale and purchase of the company in May 2020. The business restructuring resulted in a number of roles being made redundant and the closure of a number of depots.

Other exceptional items incurred during the previous period include £0.7 million costs in respect of the sale and leaseback programme, £0.1 million in respect of insurance settlement costs, £0.5 million in respect of business reorganisation costs related to off-shoring of technology, customer services and finance functions, £0.1 million in respect of equalisation of guaranteed minimum payments of the Tuffnells Parcels Express pension scheme, and a credit of £0.15 million in respect of the release of provisions relating to a settlement with HMRC relating to the misapplication of national minimum wage legislation.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

5 Operating profit/(loss)

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Operating profit/(loss) for the period is stated after charging/(crediting):		
Government grants	(1,022)	-
Fees payable to the company's auditor for the audit of the company's financial statements	45	40
Depreciation of owned property, plant and equipment	2,623	4,181
Impairment of owned property, plant and equipment	-	12,711
Loss/(profit) on disposal of property, plant and equipment	(8,417)	(10)
Amortisation of intangible assets	278	211
Impairment of intangible assets	-	423
Share-based payments	-	36
Operating lease charges	23,352	17,105
	<u>23,352</u>	<u>17,105</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the 16 month period was:

	16 Months ended 31 December 2020 Number	Year ended 31 August 2019 Number
Haulage	1,935	2,225
Office and management	521	521
Total	<u>2,456</u>	<u>2,746</u>

Their aggregate remuneration comprised:

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Wages and salaries	80,225	65,228
Social security costs	6,762	4,050
Pension costs	2,017	485
	<u>89,004</u>	<u>69,763</u>

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

7 Directors' remuneration

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Remuneration for qualifying services	646	-
Company pension contributions to defined contribution schemes	12	-
Compensation for loss of office	264	-
	<u>922</u>	<u>-</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 0).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Remuneration for qualifying services	243	-
Company pension contributions to defined contribution schemes	3	-
	<u></u>	<u></u>

8 Finance costs

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Interest on bank overdrafts and loans	26	-
Interest on invoice finance arrangements	91	-
Other interest on financial liabilities	210	-
Interest on finance leases and hire purchase contracts	62	75
Net interest on the net defined benefit liability	55	52
Unwinding of discount on provisions	95	101
	<u>539</u>	<u>228</u>

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

9 Taxation

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Current tax		
UK corporation tax on profits for the current period	-	(2,958)
Adjustments in respect of prior periods	967	(3,188)
Total current tax	967	(6,146)
Deferred tax		
Origination and reversal of timing differences	(1,555)	(2,555)
Changes in tax rates	(362)	-
Adjustment in respect of prior periods	527	-
Total deferred tax	(1,390)	(2,555)
Total tax credit	(423)	(8,701)

The actual credit for the 16 month period can be reconciled to the expected charge/(credit) for the 16 month period based on the profit or loss and the standard rate of tax as follows:

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Profit/(loss) before taxation	6,065	(29,262)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	1,152	(5,560)
Tax effect of expenses that are not deductible in determining taxable profit	(17)	(68)
Adjustments in respect of prior years	967	(3,188)
Effect of change in corporation tax rate	(362)	-
Depreciation on assets not qualifying for tax allowances	113	111
Share based payment charge	27	4
Deferred tax adjustments in respect of prior years	527	-
Group relief surrender	2,374	3,065
Receipt for group relief	-	(3,065)
Group debt waiver not taxable	(3,728)	-
Group relief received - capital losses	(1,476)	-
Taxation credit for the period	(423)	(8,701)

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

9 Taxation

(Continued)

In addition to the amount credited to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	13	(149)

Factors affecting future tax charges

The main rate of corporation tax is currently 19%. Previously this rate was enacted to reduce to 17% and that rate was used when calculating future tax charges (deferred tax balances) in the prior period financial statements. The rate will remain at 19%, as substantively enacted on 17 March 2020, and that rate has been used when calculating future tax charges (deferred tax balances) in these financial statements. The Chancellor of the Exchequer announced in his March 2021 budget that the main rate will increase to 25% with effect from 1 April 2023 and should this rate become substantively enacted then it will be reflected in deferred tax balances in future period financial statements.

The company has estimated tax losses of £12.5 million at 31 December 2020 and these are reflected in the deferred tax asset recognised in these financial statements (see note 20).

The directors believe that there is currently sufficient evidence that the deferred tax assets will be recovered in the foreseeable future.

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	16 Months ended 31 December 2020 £'000	Year ended 31 August 2019 £'000
In respect of:		
Goodwill	-	-
Intangible assets	-	423
Property, plant and equipment	-	12,711
	-	13,134

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

11 Intangible fixed assets

	Software £'000
Cost	
At 1 September 2019	3,219
Additions	639
Transfers	(1,590)
	<hr/>
At 31 December 2020	2,268
	<hr/>
Amortisation and impairment	
At 1 September 2019	3,219
Amortisation charged for the 16 month period	278
Transfers	(1,572)
	<hr/>
At 31 December 2020	1,925
	<hr/>
Carrying amount	
At 31 December 2020	343
	<hr/> <hr/>
At 31 August 2019	-
	<hr/> <hr/>

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

12	Property, plant and equipment								
		Freehold land and buildings	Leasehold land and buildings	Fixtures and fittings	Plant and machinery	Computer equipment	Motor vehicles and trailers	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost									
At 1 September 2019	19,776	5,636	10,976	7,823	1,654	18,923	64,788		
Additions	-	16	606	739	776	187	2,324		
Disposals	(5,073)	(1,823)	(1,807)	(743)	-	(2,357)	(11,803)		
Transfers	66	-	(444)	158	1,610	-	1,390		
At 31 December 2020	14,769	3,829	9,331	7,977	4,040	16,753	56,699		
Depreciation and impairment									
At 1 September 2019	3,702	4,347	9,498	7,248	1,623	17,542	43,960		
Depreciation charged in the 16 month period	530	65	488	505	297	738	2,623		
Eliminated in respect of disposals	(1,280)	(694)	(986)	(601)	-	(2,349)	(5,910)		
Transfers	123	-	(564)	200	1,605	8	1,372		
At 31 December 2020	3,075	3,718	8,436	7,352	3,525	15,939	42,045		
Carrying amount									
At 31 December 2020	11,694	111	895	625	515	814	14,654		
At 31 August 2019	16,074	1,289	1,478	575	31	1,381	20,828		

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

12 Property, plant and equipment

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £'000	2019 £'000
Computer equipment	217	-

13 Inventories

	2020 £'000	2019 £'000
Consumables	535	436

14 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	10,360	10,447
Corporation tax recoverable	-	2,840
Amounts owed by group undertakings	484	2,975
Other receivables	2,844	1,438
Prepayments and accrued income	3,635	728
	17,323	18,428

15 Current liabilities

	Notes	2020 £'000	2019 £'000
Bank loans and overdrafts	17	4,222	16,063
Obligations under finance leases	18	53	665
Trade payables		8,610	4,853
Taxation and social security		5,877	1,361
Other payables		2,616	4,357
Accruals and deferred income		4,383	4,396
		25,761	31,695

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

16 Non-current liabilities

	Notes	2020 £'000	2019 £'000
Bank loans and overdrafts	17	3,703	-
Obligations under finance leases	18	156	928
		<u>3,859</u>	<u>928</u>

17 Borrowings

	2020 £'000	2019 £'000
Bank loans	4,659	-
Bank overdrafts	3,266	16,063
	<u>7,925</u>	<u>16,063</u>
Payable within one year	4,222	16,063
Payable after one year	3,703	-
	<u>7,925</u>	<u>16,063</u>

The bank loans are repayable by monthly instalments over 5 year terms, repayable by 2025, and bear interest at between 3.35% and 4.35% over 3 month LIBOR. The bank overdraft is a receivables financing facility with a minimum 60 month term which bears interest at 2.3% over 3 month LIBOR.

The bank facilities are secured by the Company and its parent undertakings by way of fixed and floating charges over their property interests and other assets. The aggregate amount of secured liabilities at 31 December 2020 was £7,925,000 (2019: £16,063,000).

18 Finance lease obligations

	2020 £'000	2019 £'000
Future minimum lease payments due under finance leases:		
Within one year	53	665
In two to five years	156	928
	<u>209</u>	<u>1,593</u>

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

19 Provisions for liabilities

	2020 £'000	2019 £'000
Insurance provision	-	1,984
Property dilapidations	2,253	1,495
Other provisions	-	237
	<u>2,253</u>	<u>3,716</u>

Movements on provisions:

	Insurance provision £'000	Property dilapidations £'000	Other provisions £'000	Total £'000
At 1 September 2019	1,984	1,495	237	3,716
Additional provisions in the year	472	793	-	1,265
Reversal of provision	(2,064)	-	(232)	(2,296)
Utilisation of provision	(392)	(130)	(5)	(527)
Unwinding of discount	-	95	-	95
	<u>-</u>	<u>2,253</u>	<u>-</u>	<u>2,253</u>
At 31 December 2020	-	2,253	-	2,253

Insurance provision

The insurance provision represents the expected future costs arising from self insurance relating to incidents prior to 2 May 2020 arising from the Company's employer's liability, public liability and motor accident insurance policies. Liabilities arise on the inception of claims and are settled in cash throughout the course of the period. The insurance provision is calculated using the best estimates on the facts of the claims and historical averages. A fully insured insurance programme was put in place with effect from 2 May 2020 and therefore such costs will not be incurred going forward in respect of incidents occurring after 2 May 2020.

Property dilapidations

The Company trades from a number of premises that are held on lease agreements. A provision for the potential costs of rectification of these premises back to their original state has been included within the financial statements. The provision is based on the current condition of the properties and estimated costs of remediation, discounted back to the point the liability will occur.

Other provisions

Other provisions comprise a legal provision which related to a balance of unsettled estimated historical underpayment of national minimum wage, and a reorganisation provision which related to redundancy costs accrued as part of a strategy to offshore shared service centre costs.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets	Assets
	2020	2019
	£'000	£'000
Balances:		
Accelerated capital allowances	2,270	3,045
Tax losses	2,384	-
Retirement benefit obligations	353	487
Share based payments	-	27
Other	42	113
	<u>5,049</u>	<u>3,672</u>
	<u><u>5,049</u></u>	<u><u>3,672</u></u>
Movements in the 16 month period:		2020
		£'000
Asset at 1 September 2019		(3,672)
Credit to profit or loss		(1,555)
Charge to other comprehensive income		13
Effect of change in tax rate - profit or loss		(362)
Other		527
		<u>(5,049)</u>
Asset at 31 December 2020		<u><u>(5,049)</u></u>

The deferred tax asset set out above that is expected to reverse within 12 months of the reporting date and which relates to the utilisation of tax losses against future expected profits of the same period and the part reversal of the capital allowances deferred tax asset amounts to £1.8 million.

21 Retirement benefit schemes

	2020	2019
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	1,878	316
	<u>1,878</u>	<u>316</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

21 Retirement benefit schemes

(Continued)

Defined benefit schemes

The Company operates a defined benefit pension scheme known as the Tuffnells Parcels Express Pension Scheme ("the Scheme"). Under the Scheme, the employees are entitled to retirement benefits based on final salary on attainment of retirement age (or earlier withdrawal or death). The Scheme is closed to future accrual of benefits.

The Trust is a registered funded pension scheme. The assets of the Scheme are held separately from the assets of the Company in trustee administered funds.

The weighted average duration of the Scheme is 21 years.

The most recent comprehensive triennial valuation of the Scheme was carried out at 1 April 2019. The Company has employed an independent actuary to approximately update this valuation allowing for differences between the actuarial assumptions used by the Trust for funding purposes and those adopted by the Company to measure the Trust's liabilities on the financial statements, as well as adjusting for actual pension increases awarded and benefits paid by the Scheme.

Contributions into the Scheme are assessed in accordance with the advice of qualified actuaries and the Company made contributions into the Scheme of £1.1m over the period ended 31 December 2020. The Company expects to contribute £0.5m during the year ended 31 December 2021.

	2020	2019
	%	%
<i>Key assumptions</i>		
Discount rate	1.4	1.75
Expected rate of increase of pensions in payment	2.85	3.1
Expected rate of salary increases	N/A	2.2
Inflation assumption: Retail Price Index	2.9	3.2
Consumer Price Index	2.2	3.2
Pension increase in deferment	2.2	2.2

Mortality assumptions

The following table shows assumed life expectancies for example members at age 65. The underlying mortality tables at 31 December 2020 are based on the published S2PA 3 'Pensioner' mortality base tables with a scaling factor of 99%, CMI 2019 mortality improvements with a long-term improvement rate of 1% p.a., smoothing factor of 7.0 and additional initial improvement of 0.50% p.a.

	2020	2019
	Years	Years
Retiring today		
- Males	87.2	87.1
- Females	89.5	89.1
Retiring in 20 years		
- Males	88.2	88.3
- Females	90.6	90.4

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

21 Retirement benefit schemes

(Continued)

	2020	2019
<i>Amounts recognised in the income statement</i>	£'000	£'000
Current service cost	11	14
Past service cost	30	100
Administration expenses	98	55
Net interest on the net defined benefit liability	55	52
Total costs	194	221

	2020	2019
<i>Amounts taken to other comprehensive income</i>	£'000	£'000
Actual return on scheme assets	(604)	(1,035)
Less: calculated interest element	-	-
Return on scheme assets excluding interest income	(604)	(1,035)
Other gains and losses	538	1,863
Total costs/(income)	(66)	828

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2020	2019
	£'000	£'000
Present value of defined benefit obligations	13,226	13,407
Fair value of plan assets	(11,370)	(10,540)
Deficit in scheme	1,856	2,867

	2020
<i>Movements in the present value of defined benefit obligations</i>	£'000
Liabilities at 1 September 2019	13,407
Current service cost	11
Past service cost	30
Benefits paid	(1,069)
Contributions from scheme members	7
Other	840
At 31 December 2020	13,226

The defined benefit obligations arise from plans which are wholly or partly funded.

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

21 Retirement benefit schemes	(Continued)	
	2020	
<i>Movements in the fair value of plan assets</i>	£'000	
Fair value of assets at 1 September 2019	10,540	
Return on plan assets (excluding amounts included in net interest)	604	
Benefits paid	(1,069)	
Contributions by the employer	1,139	
Contributions by scheme members	7	
Other	149	
	<hr/>	
At 31 December 2020	11,370	
	<hr/>	
The actual return on plan assets was £604,000 (2019: £1,035,000).		
	2020	2019
<i>Fair value of plan assets at the reporting period end</i>	£'000	£'000
Growth portfolio	7,166	6,484
Matching portfolio	4,073	4,056
Cash and other	131	-
	<hr/>	<hr/>
	11,370	10,540
	<hr/>	<hr/>
22 Share capital	2020	2019
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
1,112,787 Ordinary shares of £1 each	1,113	1,113
	<hr/>	<hr/>
23 Operating lease commitments		
Lessee		
At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
	2020	2019
	£'000	£'000
Within one year	11,436	11,440
Between two and five years	23,186	20,003
In over five years	24,640	11,031
	<hr/>	<hr/>
	59,262	42,474
	<hr/>	<hr/>

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

24 Ultimate controlling party

The Company's ultimate parent company and ultimate controlling party is Tuffnells Holdings Limited, a company incorporated in England and Wales.

The Company's immediate parent undertaking is The Big Green Parcel Machine Limited, a company incorporated in England and Wales.

The parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is Tuffnells Holdings Limited, a company incorporated in England and Wales. Copies of the group accounts of Tuffnells Holdings Limited are available from Companies House.

25 Reconciliations on adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on: (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period as reported under FRS 101 Reduced Disclosure Framework are given below.

Reconciliation of equity

	1 September 2018 £'000	31 August 2019 £'000
Equity as reported under previous FRS 101 and under FRS 102	25,384	4,158

Reconciliation of loss for the financial period

	2019 £'000
Loss as reported under FRS 101 and under FRS 102	(20,561)

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

25 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of equity

	Notes	At 1 September 2018			At 31 August 2019		
		FRS 101 £'000	Effect of transition £'000	FRS 102 £'000	FRS 101 £'000	Effect of transition £'000	FRS 102 £'000
Non-current assets							
Intangible assets		309	-	309	-	-	-
Property, plant and equipment	a	33,314	-	33,314	2,386	18,442	20,828
		<u>33,623</u>	<u>-</u>	<u>33,623</u>	<u>2,386</u>	<u>18,442</u>	<u>20,828</u>
Current assets							
Inventories		484	-	484	436	-	436
Trade and other receivables - deferred tax		1,041	-	1,041	3,672	-	3,672
Trade and other receivables - other		11,297	-	11,297	18,428	-	18,428
Assets held for sale	a	-	-	-	18,442	(18,442)	-
Bank and cash		<u>7,477</u>	<u>-</u>	<u>7,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>20,299</u>	<u>-</u>	<u>20,299</u>	<u>40,978</u>	<u>(18,442)</u>	<u>22,536</u>
Current liabilities							
Borrowings		-	-	-	(16,063)	-	(16,063)
Finance leases		(1,295)	-	(1,295)	(665)	-	(665)
Taxation		(1,317)	-	(1,317)	(1,361)	-	(1,361)
Other payables		<u>(16,760)</u>	<u>-</u>	<u>(16,760)</u>	<u>(13,606)</u>	<u>-</u>	<u>(13,606)</u>
		<u>(19,372)</u>	<u>-</u>	<u>(19,372)</u>	<u>(31,695)</u>	<u>-</u>	<u>(31,695)</u>
Net current assets/(liabilities)		<u>927</u>	<u>-</u>	<u>927</u>	<u>9,283</u>	<u>(18,442)</u>	<u>(9,159)</u>
Total assets less current liabilities		<u>34,550</u>	<u>-</u>	<u>34,550</u>	<u>11,669</u>	<u>-</u>	<u>11,669</u>
Non-current liabilities							
Finance leases		<u>(1,509)</u>	<u>-</u>	<u>(1,509)</u>	<u>(928)</u>	<u>-</u>	<u>(928)</u>
Provisions for liabilities							
Pension obligations		(2,197)	-	(2,197)	(2,867)	-	(2,867)
Other provisions		<u>(5,460)</u>	<u>-</u>	<u>(5,460)</u>	<u>(3,716)</u>	<u>-</u>	<u>(3,716)</u>
		<u>(7,657)</u>	<u>-</u>	<u>(7,657)</u>	<u>(6,583)</u>	<u>-</u>	<u>(6,583)</u>
Net assets		<u>25,384</u>	<u>-</u>	<u>25,384</u>	<u>4,158</u>	<u>-</u>	<u>4,158</u>

TUFFNELLS PARCELS EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2020

25 Reconciliations on adoption of FRS 102

(Continued)

	Notes	At 1 September 2018			At 31 August 2019		
		FRS 101	Effect of	FRS 102	FRS 101	Effect of	FRS 102
		£'000	transition £'000	£'000	£'000	transition £'000	£'000
Equity							
Share capital		1,113	-	1,113	1,113	-	1,113
Share premium		9,455	-	9,455	9,455	-	9,455
Profit and loss		14,816	-	14,816	(6,410)	-	(6,410)
Total equity		25,384	-	25,384	4,158	-	4,158

Notes to reconciliations on adoption of FRS 102

a. Assets held for sale

Under FRS 101 assets held for sale are excluded from property, plant and equipment and reported on the Statement of Financial Position separately as assets held for sale, whereas under FRS 102 assets are retained within their relevant categories of property, plant and equipment and are derecognised on disposal. The Company transferred property, plant and equipment assets with a net book value of £18,442,000 to assets held for sale during the year ended 31 August 2019 in its financial statements for that period prepared under FRS 101. The effect of the transition to FRS 102 for the current reporting period is to increase the comparative amount reported as property, plant and equipment by £18,442,000 and to eliminate the amount previously reported as assets held for sale. There is no effect on the amounts reported in the Income Statement.

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