Registration number: 01722216

Kuehne + Nagel Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Kuehne + Nagel Limited
Company Information

Directors	B Cox A M Best
Company secretary	D R O'Brien
Registered office	1 Roundwood Avenue Stockley Park Uxbridge Middlesex UB11 1FG United Kingdom
Auditor	Ernst & Young LLP 400 Capability Green Luton Bedfordshire LU1 3LU

Kuehne + Nagel Limited
Strategic Report for the Year Ended 31 December 2022

The directors present their report for the year ended 31 December 2022.

Principal activity
The company is principally engaged in international freight forwarding (Sea, Air & Road logistics) as well as large-scale dedicated distribution contracts together with storage, warehousing and distribution focused in the military & government, aerospace and pharma sectors.

Fair review of the business
During 2022 the company again demonstrated its position as one of the leading UK Freight Forwarding and Logistics companies with another exceptional performance surpassing the excellent performance in 2021.

The COVID-19 pandemic had a reduced impact on the company in 2022 as the mix of business sectors and contracts following the divestment proved very effective. Increased involvement in healthcare and public sector contracts played a key part in the success during 2022 as it had in 2021. The disruption in global supply chains during 2021 and into 2022, delays at ports and scarcity of air capacity resulted in a steep increase in freight rates and significant demands on operator's effectiveness. The company performed extremely well under these conditions.

The divestment of parts of its contract logistics business to XPO Logistics completed successfully on 1 January 2021.

International freight forwarding
The International Freight forwarding division consisting of Air, Sea & Road logistics performed extremely well again in 2022 delivering a turnover of £1,751,452,000 (2021 - £1,607,473,000) and with a focus on trying to capture market share in the disruptive conditions described above. The recovery from the initial 2020 COVID-19 impact continued into 2022 with the increased freight rates, and the continued exceptional efforts by the operational teams ensured its position as one of the UK market leaders.

The division maintained its focus on the post-BREXIT landscape, its key strategic markets (such as pharma), and quality customer service. The uncertainty following the UK's exit from the European Union continues, but the company had made robust preparations and is in a strong position to take advantage of business opportunities. The direct effects on the freight forwarding sector in the UK market due to the hostilities in the Ukraine included longer transit times, capacity shortages and rising freight costs. The global group planning and support enabled the company to adapt accordingly.

Contract logistics
Following the divestment of parts of the division in the sale to XPO at the beginning of 2021, it has undergone fundamental changes with a key focus now on the strategic leverage areas of military & government, aerospace, and healthcare.

The turnover for the division has reduced to £227,431,000 (2021 - £267,767,000) as some of the COVID-19 related business declined, but senior management are fully focused on business development in those strategic leverage areas, and the expectation of growth is good. Any negative effect on our contract logistics division due to the hostilities in the Ukraine were limited due to our focus on the leverage areas.

Key performance indicators
The company's key financial and other performance indicators for its business during the year were as follows:

	Unit	2022	2021
Turnover	£'000	1,978,883	1,875,240
Turnover growth	%	6	43
Operating profit	£'000	118,860	118,675
Profit before tax	£'000	125,542	102,821

The company holds a strong position within the contract logistics and freight forwarding markets in the UK. These are highly competitive markets, and the company's strong position will only be maintained if it can continue to provide a high quality service to its current customer base. In addition to this, the company must also develop its business to further enhance its customer base with both organic growth and new business wins.

The company also measures service level performance and monitors risk on the individual contracts with reference to operating and financial key performance indicators. There are a large number of different ratios on a contract by contract basis and the company continues to perform at a high level in most areas. A series of formal review meetings at different levels within the business, and with the customers, ensure that these key performance indicators are reviewed by the appropriate management and action taken where required.

Some of these KPIs will be a review of turnover, gross and operating profit against budget and forecasts, whereas others are more business specific. Within the International freight forwarding division, two of the key KPIs are gross profit per order and orders per employee. These are reviewed at different reporting levels such as at business field level (Sea or Air Logistics for example) and at branch level. Management are able to spot trends and poor performing branches and act accordingly. The company also uses human resources KPIs to assist in strategic staff management.These are such items as labour turnover, absenteeism, and injuries per 100,000 hours worked.

The company is also pioneering a global contract logistics project known as Contract Logistics Production System to support the development of a culture of continuous improvement. The project will see sites, countries and regions take a closer look at the way they work, share best practice and use new skills and techniques to constantly improve their operations. The project methodology is also expanding across all business and functional units.

It is also important to ensure that high quality personnel are retained within the business. The company therefore operates structured training and accreditation programmes, together with performance review management processes to ensure staff are both adequately qualified and also motivated to succeed. The company also operates a staff voluntary benefits scheme to further motivate the workforce.

Future developments
The company continues to focus on its strategic leverage areas across all business units, and also focuses on developing cross-divisional opportunities to support customers across more than one business unit.

The group has recently launched its 'Roadmap2026' & 'Vision2030' strategy with the future in mind, and the company's broad spread of customer verticals provides protection in difficult economic times such as those the company and the country has experienced.
Vision 2030 - Becoming the most trusted supply chain partner supporting a sustainable future, and this is supported by the four cornerstones in our Roadmap2026.

The market conditions have changed into 2023, and the company has seen a decline in both volumes and freight rates in the Sea & Air divisions. Despite this, the company is still expecting a strong overall performance in 2023.

Providing a continued quality service to customers, gaining new contracts and customers, and increasing market share are all key aims for 2023 and beyond.

Principal risks and uncertainties

Competitive trading risks
The company has dedicated sales and business development departments to ensure that maximum advantage is taken of the company's strong market position. These departments work with the current customer base, and also try to develop new leads to further strengthen the business.

The company results are also at risk from adverse market conditions such as the downturn in global markets, or changes in behaviour of the markets that may occur. This could lead to reductions or changes in the volumes and directions of freight and logistics across the globe, and greater competition for the available work. This could lead to reductions in volumes for the company which could further lead to pressures on company profitability. Again as described above, the company is working hard to minimise these effects and use changes in markets to its advantage.

The company has contracts with a number of large blue-chip companies in various different sectors, and across different business units. The impact of contract losses or reduced volumes is mitigated by the spread of contracts across different sectors, and with the focus on key growth verticals such as Pharma, Military & government, and aerospace.

Legal and regulatory risks
The company is subject to a wide range of regulatory frameworks, health and safety, worker safety, consumer and environmental laws which could adversely impact the business. The company has therefore developed a specific department to monitor these laws, ensure regulations are followed, and ensure that staff are adequately trained where appropriate to deal with those laws that impact them. Other risks which could impact the business are those involving future litigation, major business interruption, and potential effects of changes in government legislation. Again these risks are minimised with specific legal and insurance teams.

Russia/Ukraine conflict
The recent conflict in Ukraine had limited direct impact on the business as the company has no direct trading links with Russia or Ukraine. Indirect effects on the company are primarily cost increases from energy, fuel costs and underlying inflationary pressures. However, the directors will continue to monitor the risks associated with the conflict.

Financial instruments
Objectives and policies

Credit risk
Credit risk could impact the company due to the significant number of customers on credit terms and the value of debtors outstanding at any particular time. This credit risk is carefully managed by specialist credit management and credit control teams within the company. Standardised company processes, credit checks, managed and monitored credit limits, use of credit insurance, and tight credit control processes are adhered to in order to minimise the risk.

Foreign exchange risk
The nature of the companies trading activities mean that the company has both customers and suppliers outside of the UK, and therefore the company is exposed to foreign exchange risk. The company manages these risks by adopting a basic concept of attempting to handle all business transactions in sterling where possible, or ensuring there is a natural hedge between customers and suppliers. A local treasury department and a Kuehne + Nagel group treasury function have developed global processes to minimise any risks in this area.

Liquidity and interest risk
These risks are considered to be low by the company and are monitored by the treasury department and senior finance personnel.

Section 172(1) statement
The directors ("board") are bound by their duties under the Companies Act 2006 (the "Act") and understand each duty is in the interest of the overall success of the company. This statement sets out how the directors have regard to the matters set out in Section 172 of the Act whilst undertaking their roles, including but not limited to the:

a) likely consequences of any decisions in the long-term;
b) interests of the company's employees;
c) need to foster the company's business relationships with suppliers, customers and others;
d) impact of the company's operations on the community and environment;
e) desirability of the company maintaining a reputation for high standards of business conduct; and
f) need to act fairly as between members of the company.

As detailed in the 'Risk Management' section of the company's Corporate Governance Statement on pages 14 to 17, the board have a number of policies and procedures in place to ensure that decisions are made with all the relevant information and are approved by the relevant stakeholders within the business. Whilst day to day operational decisions are delegated to management teams, the company has established clear reporting lines into the board, which has ultimate responsibility for any strategic decisions or decisions of key importance with the likely long-term consequences of any decision in mind.

The group's strategy focuses on people, technology and customers. The people are what make the company a great place to work, so all colleagues are valued and recognised, whether that is in an office, a warehouse, on the road or at home. The company believes that genuine, lasting success is only possible through valuing people the way it values other key stakeholders and this is fully recognised by the board.

Section 172 (1) statement (continued)

The board keeps employees well- informed by providing regular updates on matters of importance with monthly conference calls attended by employees of a certain management level, and key messages filtered down by managers to their individual teams.

The board welcome and invite constructive challenge from employees throughout the company and hope that this will influence the direction of the business by continuously developing their expertise, which in turn assists innovative solutions. This can only be done by having regard to employees' voices and ensuring employees are given the environment and opportunity to develop continuously. Employee's voices can be heard via a number of channels, including but not limited to, Trade Union forums, our Colleague Forum and regular employee engagement sessions. The company also regularly survey its employees to gauge their feelings and opinions, and share the results received and actions taken directly with its employees. The product of this engagement provides the board with information on whether the company should implement employee recommended procedures, including adopting new ways of working.

The group's strategy was introduced to inspire a framework of initiatives across all business and functional units in response to changing customer behaviour and the accelerated rate of technological developments. Part of this strategy focuses on delivering customer excellence, including the incorporation of new technology into customer's supply chains. This will increase productivity, efficiency and the scope of services the company can offer, including value-added services.

Engagement with customers takes many forms. Structured engagement includes customer feedback, key performance indicators and engagement days centred on key industry issues or customer specific issues. In addition, less-structured engagement takes place at various levels within the company, including day-to-day engagement at operational level. The product of this engagement provides the board with information on how customers view the performance of the company, enabling them to modify behaviours to promote the overall success of the company.

The board believe that building long-term sustainable relationships with suppliers, be they SMEs or multinational organisations, is key to accessing the goods and services that are required to make business run smoothly. This also lends access to supplier creativity and innovation, allowing the company to go 'above and beyond' to give customers the high quality of service that they expect. The board promote a collaborative approach to supplier management that is overseen by a professional and progressive Procurement function. In treating suppliers fairly and by embracing best practice, the company ensures that its approach to procuring goods and services delivers mutual benefit as well as impartiality. The company promotes its ethics in its supply chain by issuing a Supplier Code of Conduct that all suppliers are expected to adhere to.

The company's Procurement function provides support and strategic guidance to colleagues who work with suppliers, helping them to foster strong relationships and manage performance effectively. With a continuous focus on processes and systems, the company seeks to increase efficiency, minimise waste, and make doing business with the Company a positive experience for suppliers.

The board recognise the importance of sustainability for its people, planet, and business. The company's aim is to reduce its environmental footprint, support customers on their sustainability journey, attract and retain top talent by being the best company to work for, and safeguard its future success through strong governance. Alongside an ESG function at global level and experts embedded within global business units, sustainability is represented on the company's executive board, supported by a dedicated team and by appropriate governance measures and resources to help meet the company's goals. Supporting a sustainable future is at the core of the company's beliefs and integral to its vision for the future.

Section 172 (1) statement (continued)

As a supply chain leader, the company takes both its impact on the environment and its capacity to leverage industry change seriously. Setting ambitious, science-based emission reduction targets for its operations, the company also supports - through its value chain - its customers with their own transition to net zero logistics. As such, the company continues to implement measures to reduce its own impacts, including increased adoption of LED lighting, renewable energy installations where feasible, investment into zero emission vehicles and lower carbon fuels. In addition to this, the board are committed to supporting the company's supply chain to advance their decarbonisation journeys through engagement, the provision of expertise, and collaboration. Employees are also encouraged to take up zero emission vehicles for business and personal travel through a new salary sacrifice car leasing scheme, as well as measures within the subsidiary company's "Company Car Policy" to shift the company's fleet mix towards zero emissions.

With a focus on both people and the planet, the company also seeks to be the best company to work for - and with - by creating a workplace where inclusion and equal opportunities are firmly anchored within its culture. Ultimately, this strategy is shaped by the conviction that positive employees and customer experiences are inextricably linked. Employees drive this strategy as they look for greater purpose, lend importance to health, safety and well-being and seek to manage their careers through continuous personal development. The board are driven by respect for the uniqueness of everyone, believing in the innovative power of diversity within teams. Initiatives this year have included diversity and inclusion training for senior management, and working to meet the company's targets of increasing female leadership representation and the number of future talents such as graduates and apprentices welcomed into the company.

The board also encourage positive actions within the local community, including charitable donations and employee volunteering. Positive actions may reoccur annually, for example, during the Christmas period when employees have the opportunity to nominate a small local charity to receive a donation. In addition, site-level charity work/initiatives occur regularly, for example, collections for local food banks or raising money for local hospitals.

The board wishes at all times to maintain the company's strong reputation, and to ensure that decisions are made with a high standard of business conduct in mind. As detailed in our Corporate Governance Statement, integrity is a key element of business behaviour throughout the group and the board recognise that the culture and values of the company are fundamental contributors to the overall success of the company in the longer term. The board wishes to set high standards by its conduct and procedures that will permeate throughout the organisation and be maintained at all levels by colleagues and carry over into all interactions with stakeholders. More information on the company's ethics and risk management are set out within our Corporate Governance Statement on pages 14 to 17.

Approved by the Board on 7/12/23 and signed on its behalf by:

....

A M Best
Director

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' of the company
The directors, who held office during the year, and up to the date of signing of this report were as follows:

B Cox

A M Best

Dividends
During the year the company paid an interim dividend amounting to a total of £119,000,000 (2021 - £27,700,000). The directors are proposing a final dividend of £nil (2021 - £nil).

Going concern
The company has an excess of current assets over current liabilities of £62.6m at 31 December 2022, (2021: £78.2m). The directors have carried out a detailed review of the cash flow forecasts covering the period to 31 December 2024, reflecting current economic conditions, future expectations, and sensitivity analysis. The directors are confident that the company will remain resilient under the current economic environment. The directors have considered the changing market conditions resulting in a decline in volume and freight rates. Despite this, the company is still expecting a strong overall performance in 2023 and 2024. The latest projections show the company is generating positive cash flows through the forecast period to 31 December 2024. The projections were tested for sensitivity by reducing revenue and direct costs by a significant amount to eliminate cash surplus / liquidity, however, the probability of such a scenario is remote. Even if such a scenario were to occur, the directors have identified mitigations including dividend reductions and operational cost savings which they would implement.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to 31 December 2024. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Corporate governance
Good corporate governance is an integral part of the culture of the Kuehne + Nagel Group (the "group"). Kuehne + Nagel Limited (the "company") is ultimately owned by Kuehne + Nagel International AG (the "parent company"), which adopts the Swiss Code of Best Practice for Corporate Governance (the "Code"). Accordingly, this is also the corporate governance code adopted by the company. This statement is made in support of the good governance practice of the group and will explain where the company complies insofar as it can do as a subsidiary of its parent company and where compliance is achieved at parent company or wider group level.

Further details are provided in the Corporate Governance Statement on pages 14 to 17.

Employment of disabled persons
The company policy and practice encourages the employment of disabled persons wherever practicable with training, career development and promotion commensurate with their aptitude and abilities and the provision of alternative employment within the group in the event of employees becoming disabled while in the service of the company.

Employee involvement
Management fully recognises the fact that a successful operation is largely dependent upon a carefully selected and trained workforce. A friendly environment and good teamwork are equally important and with this in mind, we:

Employee involvement (continued)

- Inform employees on a regular basis as to the progress of the business;
- Brief employees on an ongoing basis with regard to their own ideas and recommendations on how to improve both operational and administrative efficiency;
- Discuss and define duties in areas of responsibility for each department and its staff; and
- Provide regular updates of any changes in the management structure and the relevant implications.

Streamlined energy and carbon reporting (SECR)

The company reports on greenhouse gas (GHG) emissions in accordance with the following standards and guidelines:

- Greenhouse Gas Protocol (GHG Protocol) for Corporate Accounting and Reporting Standard; and
- UK Government Streamlined Energy and Carbon Reporting (SECR) Guidelines.

The company reports the tonnes of carbon dioxide equivalent (tCO_2e) and kilograms of carbon dioxide equivalent ($kgCO_2e$) per £m of turnover produced by the company, converting into kilowatt hours (kWh) where relevant in line with SECR requirements.

In FY22, the company completed the first phase of a programme of work to review and identify any data gaps within the company's Scope 1 and 2 GHG emission metrics, in addition to further compiling and expanding Scope 3 emission reporting. Scope 1 and 2 GHG emissions have not been restated for FY21 and a revised methodology has been adopted for FY22 Scope 1 and 2 GHG emission calculations. Scope 3 GHG data has been included for FY21 and FY22. Further work will continue to increase data quality and granularity across all scopes, and any relevant restatements to the company's reporting will be made next year. Methodologies and explanations have been provided in Table 2 below.

The company's UK energy consumption in FY22 was 39,101,213 kWh, while its carbon footprint was 818,940 tCO_2 with a carbon intensity of 414 $kgCO_2e$/£m Turnover, decreasing from 619 $kgCO_2e$/£m Turnover reported in the previous financial year.

	2022	**2021**
Scope 1 (tCO_2e)	8,738	69,298
Scope 2 (tCO_2e)	613	10,038
Scope 3 (tCO_2e)	809,589	1,082,081
Total GHG (tCO_2e)	**818,940**	**1,161,417**
Total Turnover (£m)	1,979	1,875
Total Energy (kWh)	39,101,213	55,944,901
Intensity ($kgCO_2e$/£m Turnover)	**414**	**619**

Table 1: UK GHG and energy data for the current and previous reporting years

The emission sources which form the overall Scope 1,2 and 3 footprints are all included in the calculations of the figures shown in Table 1 above. The company's absolute GHG emissions have decreased year on year from those reported in FY21. This decrease in absolute emissions is largely the result of a reduction in air freight shipments, changes in emission factors, which are updated annually by the UK Government, and efforts to improve data quality.

Streamlined energy and carbon reporting (continued)

Some emission sources have been excluded from the company's FY22 calculations due to data quality or availability issues (see table below for further details). The company is addressing these data issues in FY23. As a result, and in line with the company's Restatement Policy, restatements to these emissions will be made in FY23 reporting if any material differences are identified after this report is issued. The company is committed to implementing an external GHG assurance programme for future reporting periods to continue to enhance data collection, management, and reporting.

Initiatives in this reporting period

A total of five key initiatives were launched and/or delivered within this reporting period, which contributed to the company's carbon emissions reduction and energy optimisation and reduction. These initiatives are summarised below:

- GHG Working Group formed, with representation from relevant functions within the business;
- Improved data quality and increased emission source reporting to include Scope 3;
- Moved the majority of warehouse and distribution depots from non-renewable to renewable electricity tariffs;
- Developed electric HGV (eHGV) and infrastructure deployment projects with partners through Innovate UK's Zero Emission HGV and Infrastructure Demonstrator programme; and
- Electric car Salary Sacrifice Scheme launched in June 2022, open to all UK-based colleagues.

Our priorities for the next reporting period

In 2023, the company will continue to:

- Refine its data capture and reporting processes and improve the granular quality of its GHG data, restating, where required, previous years' data;
- Work with Innovate UK and partners to identify key transport corridors where eHGVs and associated charging infrastructure can be employed and/or installed, in addition to appraising its own depots for eHGV charging readiness;
- Further embed its governance structure, with a focus on coordinating carbon and energy initiatives across the company and its business; and
- Develop key metrics to measure and reduce its carbon footprint and energy consumption across the company and its activities.

Further information on our carbon emissions reporting is included in the table (Table 2) below:

Data source	Further information
Fuel (upstream and downstream)	The company's fuel data comprises of both bunkered and company fuel card data across its business units and includes both actual and estimated data for FY22 and FY21. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for FY22 Scope 1 fuel. EcoTransit methodology and conversion factors are used for FY21 Scope 1 and for all Scope 3 carrier carbon emission calculations. The company is analysing the quality of this data to determine the coverage across its activities.

Streamlined energy and carbon reporting (continued)

Data source	Further information
Natural gas	The company's natural gas data has been included for all UK locations it fully operates and includes both actual and estimated data for FY22 and FY21. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for natural gas for FY22 and EcoTransit for FY21. The company is analysing the quality of this data to determine the coverage across its activities.
Fugitive emissions (refrigerants)	The company has not been able to complete the data gathering process to validate refrigerant data for FY22 and FY21. This process will be completed and reported against in FY23 in line with the company's Restatement Policy.
Oil (heating and plant)	The company's heating and plant oil has been included for all locations it fully operates and includes both actual and estimated data for FY22 and FY21. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for FY22 and EcoTransit for FY21. The company is analysing the quality of this data to determine the coverage across its activities.
Electricity	Electricity data has been included for all locations the company fully operates and includes both actual and estimated data for FY22 and FY21. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for electricity. The company is analysing the quality of this data to determine the coverage across its activities.
Electricity Transmission and Distribution ("T&D")	Electricity T&D has been included for all locations the company fully operates and includes both actual and estimated data for FY22 and FY21. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for Electricity T&D.
Business travel	Car, train, vessel and flight data has been included for all locations the company fully operates and includes both actual and estimated data for FY22 and FY21. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for business travel. The company is analysing the quality of this data to determine the coverage across its activities.
Hotels and Conference Rooms	Hotel and conference room data has been included for all locations the company fully operates and includes both actual and estimated data for FY21 and FY22. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for hotels and conference rooms. The company is analysing the quality of this data to determine the coverage across its activities.
Datacentres and Cloud	The company has not been able to complete the data gathering process to validate datacentre and cloud data for FY22 and FY21. This process will be completed and reported against in FY23 in line with the company's Restatement Policy.
Homeworking	Homeworking data has been included for all of the company's UK employees, with estimated home working days calculated based on total working days minus statutory holidays for FY22. No data is available for FY21. Employee commuting is omitted for both FY21 & FY22. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for homeworking.

Streamlined energy and carbon reporting (continued)

Data source	Further information
Waste (disposal)	Waste data has been included for all locations the company fully operates and includes both actual and estimated data for FY22. The company is analysing the quality of this data to determine the coverage across its activities. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for waste. The company has not been able to complete the data gathering process for FY21. This process will be completed and reported against in FY23 in line with the company's Restatement Policy.
Water (supply and treatment)	Water data has been included for all locations the company fully operates and includes both actual and estimated data for FY22 and FY21. UK Government GHG Conversion Factors for Company Reporting is used for carbon calculations for water. The company is analysing the quality of this data to determine the coverage across its activities.

Directors' liabilities
The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Disclosure requirements
In accordance with the Companies Act 2006, section 414C(11), the company's Strategic Report contains certain disclosures required in the Directors' Report.

Approved by the Board on 7/12/23 and signed on its behalf by:

....
A M Best
Director

Kuehne + Nagel Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable United Kingdom 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), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Kuehne + Nagel Limited
Corporate Governance Statement for the Year Ended 31 December 2022

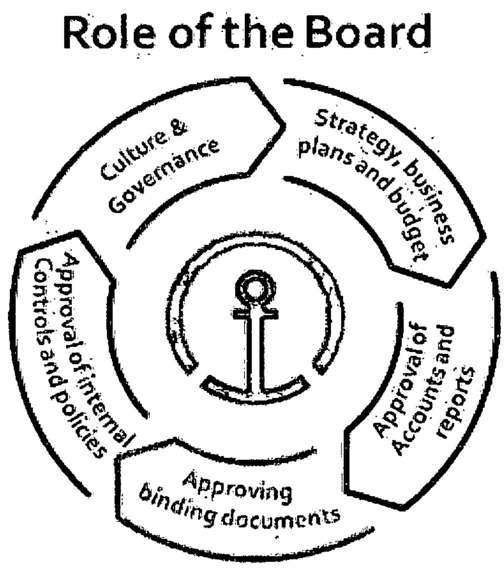
Good corporate governance is an integral part of the culture of the Kuehne + Nagel Group (the "group"). Kuehne + Nagel Limited (the "company") is ultimately owned by Kuehne + Nagel International AG (the "parent company"), which adopts the Swiss Code of Best Practice for Corporate Governance (the "Code"). Accordingly, this is also the corporate governance code adopted by the company. This statement is made in support of the good governance practice of the group and will explain where the company complies insofar as it can do as a subsidiary of its parent company and where compliance is achieved at parent company or wider group level.

Shareholders

The parent company is the only entity of the group listed on a Stock Exchange. Given the company is a wholly owned subsidiary of the parent company, compliance with the shareholder provisions within the Code are achieved by the parent company.

The Board of Directors

Particularly during 2022, where effects of the introduction of various global sanctions remain apparent, the company board ("the board") recognises that good governance is reliant on effective leadership which drives a healthy corporate culture. In 2018, the group launched a clear strategy (which it continues to progress through) with an end goal, which is articulated throughout the group at all levels and aligns group colleagues with a defined purpose and collective vision. The communication of the strategy allows all business units to benchmark their performance against the long term objective, which provides the board with a clear representation of the company's position and aids decision-making in specific business areas.



The Board of Directors (continued)

The scope of the duties of the board include (but are not limited to):

1. the overall supervision of the company;
2. issuing and review of the necessary business policies;
3. establishing the organisational framework;
4. organising the accounting system, the financial control and the financial planning of the company;
5. appointing and removing the persons entrusted with the management and representation of the company;
6. approving binding legal documents;
7. assessing culture and governance of the company;
8. the overall supervision of persons entrusted with the management of the company; and
9. compiling the Annual Report.

The board meets monthly to discuss matters of importance to the company and ensure that the information received in order to make any decision on behalf of the company is received from reliable sources such as financial reporting, key performance indicators, workforce and environmental data and stakeholder engagement feedback. Where appropriate, the board will seek external advice from independent experts on significant matters. Board meetings are chaired by the Managing Director. As is common for companies forming part of a larger group, certain matters which might otherwise fall within the remit of the board are delegated to and overseen by the board of the parent company (the "parent company board"), such as preparation of the Annual General Meeting including submission of proposals and the implementation of its resolutions.

As noted above, certain aspects of the company's corporate governance are delegated to the parent company board. The Chairman is responsible for certain tasks of the board of directors including, amongst many others, supervising the board and internal audit. In addition, the Audit Committee consists of three to five non-executive, mainly independent members of the board of directors and members of the management board cannot be members of the Audit Committee. The parent company board has a Chairman's, a Nomination and a Compensation Committee ("Committees"). Principles contained within the Code relating to the aforementioned committees are delegated to the parent company board. Further information on the rules of competence between the board of directors and the management board of the parent company and their duration of tenure and election can be found within the parent company's Corporate Governance report.

The board ensures that management functions are allocated appropriately throughout the company. Whilst day-to-day operational decisions are delegated to the business / functional unit management teams, the company has established clear reporting lines into the board, which has ultimate responsibility for any strategic decisions or decisions of key importance. The company also has varying levels of competency with regard to contractual and financial approval, including approval at managerial level, approval by the board of the company and approval of matters for referral to the board of the parent company. This process assists the parent company to meet its and the wider group's corporate governance requirements by retaining control over key strategic decisions.

Board Composition

The company's board has a good balance of skills, experience and expertise. The directors believe that the appointment of a board member representing each business and functional unit of the business ensures that all areas of the company are represented and directed at board level. The directors also believe that the size and composition of the board is appropriate for the company having regard to its size and the breadth of services offered across various industry sectors. Each member of the board, representing their respective functional or business unit, brings their own expertise and independent judgement to matters of importance to the company.

The company applies its diversity policy across all business areas so that no employee (actual or prospective) will be discriminated against or treated any less favourably on the grounds of nationality, ethnic origin, gender, pregnancy, race, sexual orientation, age, disability or martial/civil partner status. This policy is applied equally in respect of board members and the overall composition of the board. Each board member is therefore elected based on their experience and ability to ensure the effective oversight of their particular functional or business unit, and to add to the oversight of the company more generally, including having the ability to make independent decisions. All newly elected members of the board receive training with regard to the role and responsibilities of a director and the operation of the company's policies and procedures.

Internal Control, Risk Management and Compliance

The board is ultimately responsible for identifying and pursuing new opportunities, with the input of necessary stakeholders with the pertinent expertise. Any strategic opportunities will be discussed and reviewed by the board. New agreements arising out of any such opportunities go through an internal contract review process, which receives input from all relevant areas of the business and has before submission to the board for consideration and, if thought fit, approval by the board or, for certain matters, for referral to the board of the parent company.

The company recognises that good governance is driven by ethical values and transparent conduct policies and the Company is committed to operating in accordance with these values and policies in its dealings with all stakeholders. The board recognises that falling short of any legal or regulatory obligations represents a key risk to the business. Accordingly, the group has implemented an Ethics & Compliance program which includes ongoing live and computer-based training initiatives and a global Code of Conduct. This continues to ensure that members of all levels of the group are and remain adequately knowledgeable and skilled to apply the group Ethics and Compliance programme in their day-to-day work. Key risk areas for the company are identified and training programs developed in relevant areas, including modern slavery compliance, anti-bribery, anti- corruption and anti-trust matters. The group Ethics & Compliance program is reviewed regularly and was most recently updated and reissued in January 2022 by the Chairman of the board of directors and the CEO. This programme provides guidance for legal, regulatory and other compliance requirements as well as global communication and training initiatives. Employees are encouraged to raise concerns of potential violations of the Code of Conduct via various channels, which includes a global 24/7 confidential helpline. The group also applies a risk-based Integrity Due Diligence process for evaluating its business partners. The company has also created and rolled out new training for employees with regards to the Modern Slavery Act 2015.

Internal Control, Risk Management and Compliance (continued)

The company also has various risk mitigation processes in place in standalone disciplines, including finance systems and checks, investment applications, supplier on-boarding process, board level approval processes (including the regional board and the parent company board where appropriate) in relation to any binding agreements. At parent company level, material risks are continuously monitored and regularly reviewed and discussed by the Audit Committee and the Risk and Compliance Committee. Further information on this can be found in the parent company corporate governance report.

Independent Auditor's Report to the Members of Kuehne + Nagel Limited

Opinion

We have audited the financial statements of Kuehne + Nagel Limited for the year ended 31 December 2022, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 29, 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 101 'Reduced Disclosure Framework' (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 2022 and of its profit for the year 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 as applied to other entities of public interest, 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

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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walk-through of the company's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment;
- We obtained management's going concern assessment, including the cash forecasts for the going concern period up to 31 December 2024. The company has modelled adverse scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the company.
- We have tested the factors and assumptions included within the forecast.
- We considered the appropriateness of the methods used to calculate the cash forecasts and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We considered the mitigating factors included in the cash forecasts that are within the control of the company. This includes review of the company's non-operating cash outflows and evaluating the company's ability to control these outflows as mitigating actions if required.

Independent Auditor's Report to the Members of Kuehne + Nagel Limited (continued)

Conclusion relating to going concern (continued)

- We have performed reverse stress testing in order to identify what factors would lead to the company utilising all liquidity during the going concern period.
- We read the company's going concern disclosures included in the financial statements report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 the period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our 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 or 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:

Matters on which we are required to report by exception (continued)

- 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 Statement of Directors' Responsibilities, set out on page 13, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant to be those relating to United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations, environment regulations and GDPR.
- We understood how Kuehne + Nagel Limited is complying with those frameworks by making enquiries with management and those responsible for legal and compliance procedures. We corroborated our enquiries through, review of board minutes, correspondence with regulatory bodies and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.

Independent Auditor's Report to the Members of Kuehne + Nagel Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We challenged management to understand where it considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the controls which the company has established to address risks identified or that otherwise prevent, deter and detect fraud: and how senior management monitors these and controls. We determined there to be a risk of management override in relation to the posting of non-standard manual journals in respect of revenue.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations and risk of management override. Our procedures included obtaining and reading board and management meeting minutes and relevant approval documents, enquiries of senior finance personnel and those charged with governance. We also agreed a sample of transactions throughout the audit to supporting source documentation focusing our procedures on revenue recognition and journal entry testing.

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.

Ernst + Young LLP

....

Daniel Foster (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date:...8 December 2023...........

Kuehne + Nagel Limited
Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	4	1,978,883	1,875,240
Net operating expenses	6	(1,861,645)	(1,756,574)
Other operating income	5	1,622	9
Operating profit	6	118,860	118,675
Profit/(loss) on disposal of investments	7	6,725	(14,341)
Interest receivable	11	475	3
Interest payable	12	(518)	(1,516)
Profit before tax		125,542	102,821
Tax on profit	13	(24,462)	(16,767)
Profit for the year		101,080	86,054

The notes on pages 26 to 53 form an integral part of these financial statements.

Kuehne + Nagel Limited
Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Profit for the year		101,080	86,054
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations	26	(1,102)	1,789
Tax on components of other comprehensive income	13	274	(202)
		(828)	1,587
Total comprehensive income for the year		100,252	87,641

There are no other items of other comprehensive income attributable to the discontinued operations.

Kuehne + Nagel Limited
(Registration number: 01722216)
Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Tangible assets	14	8,149	9,698
Right of use assets	15	58,656	62,112
Investments		-	-
		66,805	71,810
Current assets			
Stocks	16	87	31
Debtors	17	319,065	425,208
Cash at bank and in hand		49,301	9,704
		368,453	434,943
Creditors: Amounts falling due within one year	18	(305,843)	(356,706)
Net current assets		62,610	78,237
Total assets less current liabilities		129,415	150,047
Creditors: Amounts falling due after more than one year	19	(49,854)	(52,873)
Provisions for liabilities	21	(8,521)	(8,111)
Net assets excluding pension liability		71,040	89,063
Net pension (liability)/asset	26	(499)	226
Net assets		70,541	89,289
Capital and reserves			
Called up share capital	22	8,867	8,867
Profit and loss account		61,674	80,422
Shareholders' funds		70,541	89,289

The financial statements were approved and authorised for issue by the Board on 7/12/23 and signed on its behalf by:

....

A M Best

Director

Kuehne + Nagel Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2022	8,867	80,422	89,289
Profit for the year	-	101,080	101,080
Other comprehensive loss	-	(828)	(828)
Total comprehensive income	-	100,252	100,252
Dividends	-	(119,000)	(119,000)
At 31 December 2022	8,867	61,674	70,541

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	8,867	20,481	29,348
Profit for the year	-	86,054	86,054
Other comprehensive loss	-	1,587	1,587
Total comprehensive income	-	87,641	87,641
Dividends	-	(27,700)	(27,700)
At 31 December 2021	8,867	80,422	89,289

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:
1 Roundwood Avenue
Stockley Park
Uxbridge
Middlesex
UB11 1FG
United Kingdom

2 Accounting policies

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

The company's financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated. Sterling is the company's functional currency.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to financial statements, are detailed in note 3.

Summary of disclosure exemptions
In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 - 'Share-based payments' (how the fair value of goods/services received or equity instruments granted was determined and details of the number and weighted average exercise prices of share options).
- IFRS 7 - 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):

2 Accounting policies (continued)

- IAS 7 - 'Statement of cash flows'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 - 'Revenue from Contracts with Customers' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15).
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more members of a group).
- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):

  - 10(d) (statement of cash flows);

  - 16 (statement of compliance with all IFRS);

  - 38A (minimum of two primary statements, including cash flow statements);

  - 38B-D (additional comparative information);

  - 111 (cash flow statement information);

  - 134-136 (capital management disclosures)

Going concern
The company has an excess of current assets over current liabilities of £62.6m at 31 December 2022, (2021: £78.2m). The directors have carried out a detailed review of the cash flow forecasts covering the period to 31 December 2024, reflecting current economic conditions, future expectations, and sensitivity analysis. The directors are confident that the company will remain resilient under the current economic environment. The directors have considered the changing market conditions resulting in a decline in volume and freight rates. Despite this, the company is still expecting a strong overall performance in 2023 and 2024. The latest projections show the company is generating positive cash flows through the forecast period to 31 December 2024. The projections were tested for sensitivity by reducing revenue and direct costs by a significant amount to eliminate cash surplus / liquidity, however, the probability of such a scenario is remote. Even if such a scenario were to occur, the directors have identified mitigations including dividend reductions and operational cost savings which they would implement.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to 31 December 2024. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2 Accounting policies (continued)

Changes in accounting policy

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the company's financial statements.

Revenue recognition

The company generates its revenues from four principal services: 1) Seafreight, 2) Airfreight, 3) Overland, and 4) Contract Logistics. Revenues reported include revenues generated from the principal service as well as revenues generated from ancillary services like customs clearance, export documentation, import documentation, door to door service, and arrangement of complex logistics supply movement, that are incidental to the principal service.

In Seafreight, Airfreight and Overland the company generates the majority of its revenues by purchasing transportation services from direct (asset-based) carriers and selling a combination of those services to its customers. In its capacity of arranging carrier services, the company issues a contract of carriage to customers. Revenues related to shipments are recognised based upon terms in the contract of carriage and to the extend a service is completed. A typical shipment would include services rendered at origin, such as pick-up and delivery to port, freight services from origin to destination port and destination services, such as customs clearance and final delivery. These services are considered a single performance obligation satisfied over time. The company measures the fulfilment of its performance obligations as services are rendered based on the status of a shipment.

In Contract Logistics the principal services are related to customer contracts for warehousing and distribution activities, usually representing a series of distinct services that are considered a single performance obligation. Based on the customer contracts, revenues are recognised to the extend the service is rendered.

In Airfreight the company generates income by occasionally arranging charter flights for some customers, and a contract is issued to the customers in these cases with back to back agreements with the carriers. The company recognises revenue at the point of settlement with carrier, at this stage revenue is also collected from customer based on back to back agreements as this will always be in advance of the flight. As this is the extent of the company's activity the date of the actual flight is not relevant for the recognition of revenue.

There are no significant judgements involved in the measurement of the performance of its obligations and the company's contracts do not include any material variable considerations.

Contract assets are recorded for unbilled work in progress, whereas amounts received for services that are not yet completed are presented as contract liabilities. Contract assets are classified as current or non-current based on the company's normal operating cycle and are assessed for impairment at each reporting date.

Government grants

Government grants relating to the Coronavirus Job Retention Scheme (CJRS) have been received in respect of employee costs incurred for furloughed staff. The grants have been recognised as income of the company based on an accruals model. Grants related to income are presented as part of profit or loss as 'Other operating income' (note 5).

2 Accounting policies (continued)

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The present value of the lease payments to be made over the term of the lease are discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considèred reasonably certain) and variable lease payments that depend on an index or rate.

The right of use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

2 Accounting policies (continued)

Leases *(continued)*

Subsequent measurement

After the commencement date, the company measures the lease liability by:

(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance costs in the profit and loss account, unless the costs are included in the carrying amount of another asset applying other applicable standards.

Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The company cannot readily determine the interest rate implicit in the leases, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2 Accounting policies (continued)

Leases (continued)
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the profit and loss account.

Sub leases

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

Sale and leaseback

For sale and leaseback transactions that qualify as a sale, the right of use assets are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Any gain or loss that relates to the rights transferred is recognised in the profit and loss account.

2 Accounting policies (continued)

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets
Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	40 years straight line basis
Furniture, fittings and equipment	3 to 10 years straight line basis
Leasehold improvements	3 years straight line basis or over the period of the lease
Plant and machinery	3 to 10 years straight line basis

Where fixed assets are purchased specifically for use on a customer contract and the customer is obliged to take back the fixed assets upon termination of the service contract, the fixed assets are depreciated over the remaining term of the contract.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2 Accounting policies (continued)

Impairment of non-financial assets
The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the profit and loss account.

For assets 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, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised immediately in the profit or loss account, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Dividends
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Accounting policies (continued)

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Defined benefit pension obligation
Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2 Accounting policies (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset – recognition and measurement

The company classifies its financial assets in the following categories: at fair value through other comprehensive income; at amortised cost and at fair value through profit and loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

However there are no instruments which have been classified under this category.

(b) *Financial assets at amortised cost*

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The company's financial assets measured at amortised cost include trade debtors, other debtors, amounts receivable from group undertakings and cash and cash equivalents in the balance sheet.

(c) *Financial assets at fair value through profit or loss*

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost (see note (a) and (b) above)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

The company has no financial assets measured at fair value through profit or loss.

2 Accounting policies (continued)

Impairment of financial assets

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade debtors and bank balance.

b) Trade debtors or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

For trade and other debtors, the company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses and trade debtors have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities - recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities comprise of trade creditors, amounts owed to group undertakings and bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) *Financial liabilities at fair value through profit or loss*

(b) *Loans and borrowings*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The company does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit and loss account.

2 Accounting policies (continued)

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss account.

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include forward foreign exchange contracts, which are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices.

In the balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in finance income or costs in the profit and loss account.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation means that the actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Deferred tax assets
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Pensions
The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates, and inflation. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Leases - estimating the incremental borrowing rate
The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment. The IBR requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Right of use asset impairment
Right of use assets are considered for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of cash generating units (CGUs). This requires estimation of future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Provisions for liabilities
Insurance claims provisions are estimated on a case by case basis by our third party claims handling provider. The company uses these estimates for our liability provision in this area. Other provisions are assessed and estimated by our internal legal team in conjunction with third party consultants as necessary.

Dilapidations provisions are estimated based on a combination of factors - historical landlord claims and settlements, length of occupation, together with third party surveyor assessments.

4 Turnover

The analysis of the company's turnover for the year from its operations is as follows:

	2022 £ 000	2021 £ 000
Rendering of services	1,978,883	1,875,240

The analysis of the company's turnover for the year by class of business is as follows:

	2022 £ 000	2021 £ 000
International Freight Forwarding	1,751,452	1,607,473
Contract Logistics	227,431	267,767
	1,978,883	1,875,240

The analysis of the company's turnover for the year by market is as follows:

	2022 £ 000	2021 £ 000
UK	1,558,274	1,572,360
Europe	254,818	202,269
Rest of world	165,791	100,611
	1,978,883	1,875,240

4 Turnover (continued)

Contract receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

Current assets and liabilities

	Note	2022 £ 000	2021 £ 000
Contract assets	17	39,101	38,516
Contract liabilities	18	(35,611)	(37,193)
Net unbilled contract assets		3,490	1,323

Revenue recognised in the period from:

	2022 £ 000	2021 £ 000
Amounts included in contract liability at the beginning of the period	37,193	21,041

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £ 000	2021 £ 000
Government grants	-	9
Miscellaneous other operating income	1,622	-
	1,622	9

Miscellaneous other operating income relates primarily to short-term transitional IT and systems support provided to GXO Logistics for contracts migrated to them as part of the divestment of the contracts logistics business that completed on 1 January 2021.

The company received grant income in the prior year, in respect of certain furloughed employees, from the UK Government under the Coronavirus Job Retention Scheme.

6 Operating profit

Net operating expenses include the following amounts:

	Note	2022 £ 000	2021 £ 000
Depreciation	14, 15	18,966	21,263
Staff costs	9	190,523	176,153
Direct costs of freight forwarding and contract logistics business		1,545,767	1,412,486
Other operating costs		106,437	146,672
Profit on disposal of tangible assets		(48)	-
		1,861,645	1,756,574

Operating profit is arrived at after charging:

	Note	2022 £ 000	2021 £ 000
Depreciation on tangible assets	14	5,077	6,043
Depreciation on right of use assets	15	13,889	15,220
Short-term and low value lease expenses - plant and machinery		1,427	2,165
Profit on disposal of tangible assets		(48)	-

7 Gains/(losses) on disposal of investments

	2022 £ 000	2021 £ 000
Gain/(loss) on disposal of investments	6,725	(14,341)

On 1 January 2021, Kuehne + Nagel Limited sold its investment in Kuehne + Nagel Drinkflow Logistics Holdings Limited, and its subsidiary undertakings: Kuehne + Nagel Drinks Logistics Limited, Kuehne + Nagel Drinkflow Logistics Limited and Pluto Holdings Logistics Limited, as part of the divestment of the Contract Logistics business to XPO Supply Chain UK Limited, giving rise to a loss on disposal in the prior year of £14,341,000.

During 2022, the company has received contingent consideration in excess of that anticipated in respect of the sale of companies noted above of £6,725,000. Accordingly, this has been recognised as a gain on disposal in the income statement.

8 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	139	128

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Note	2022 £ 000	2021 £ 000
Wages and salaries		163,579	152,113
Social security costs		19,059	16,619
Pension costs, defined contribution scheme	26	7,885	7,421
		190,523	176,153

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Sales, distribution and production	2,543	2,386
Management and administration	1,475	1,421
	4,018	3,807

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	837	820
Contributions paid to money purchase schemes	10	10
	847	830

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022 No.	2021 No.
Received or were entitled to receive shares under long term incentive schemes	-	2
Accruing benefits under money purchase pension scheme	1	1

10 Directors' remuneration (continued)

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	490	478

11 Interest receivable

	Note	2022 £ 000	2021 £ 000
Interest receivable from group undertakings		5	3
Interest income on bank deposits		462	-
Net income on pension scheme assets	26	8	-
		475	3

12 Interest payable

	Note	2022 £ 000	2021 £ 000
Interest on bank overdrafts and borrowings		1	1
Other interest costs		-	895
Changes in fair value of forward contract		-	122
Net interest on pension scheme liabilities	26	-	24
Interest expense on leases	20	517	474
		518	1,516

Other interest costs of £895,000 were incurred during the prior year relating to the settlement of a prior year corporation tax enquiry.

13 Income tax

Tax charged in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	22,825	22,600
UK corporation tax adjustment to prior periods	2,567	(4,242)
	25,392	18,358
Deferred taxation		
Arising from origination and reversal of temporary differences	(930)	(762)
Arising from changes in tax rates and laws	-	(829)
Total deferred taxation	(930)	(1,591)
Tax expense in the profit and loss account	24,462	16,767

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	125,542	102,821
Corporation tax at standard rate	23,853	19,536
Effect of capital allowances depreciation	(759)	(696)
Income exempt from taxation	(1,360)	-
Expenses not deductible	138	2,736
Adjustment for prior periods	2,567	(4,242)
Deferred tax credit relating to changes in tax rates	-	(829)
Increase from changes in defined benefit pension scheme	23	262
Total tax charge	24,462	16,767

The tax rate for the current year is the same as the prior year.

The UK's main corporation tax rate increased from 19% to 25%, with effect from 1 April 2023. Accordingly, the deferred tax asset at the balance sheet date has been recognised at 25%.

13 Income tax (continued)

Amounts recognised in other comprehensive income

	2022 Before tax £ 000	2022 Tax (expense)/ benefit £ 000	2022 Net of tax £ 000	2021 Before tax £ 000	2021 Tax (expense)/ benefit £ 000	2021 Net of tax £ 000
Remeasurements of post employment benefit obligations	(1,102)	274	(828)	1,789	(202)	1,587

Deferred tax

Deferred tax assets and liabilities

2022	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	5,068	-	5,068
Pension benefit obligations	124	-	124
Other items	25	-	25
	5,217	-	5,217

2021	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	4,045	-	4,045
Pension benefit obligations	-	(57)	(57)
Other items	25	-	25
	4,070	(57)	4,013

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	4,045	1,023	-	5,068
Pension benefit obligations	(57)	(93)	274	124
Other items	25	-	-	25
	4,013	930	274	5,217

13 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	2,243	1,802	-	4,045
Pension benefit obligations	362	(217)	(202)	(57)
Other items	19	6	-	25
	2,624	1,591	(202)	4,013

14 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Properties under construction £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost					
At 1 January 2022	15,128	3,325	300	15,992	34,745
Additions	484	57	1,722	1,265	3,528
Disposals	(101)	(14)	-	(18)	(133)
Transfers	68	-	(300)	232	-
At 31 December 2022	15,579	3,368	1,722	17,471	38,140
Depreciation					
At 1 January 2022	(9,896)	(2,604)	-	(12,547)	(25,047)
Charge for the year	(2,276)	(303)	-	(2,498)	(5,077)
Eliminated on disposal	101	14	-	18	133
At 31 December 2022	(12,071)	(2,893)	-	(15,027)	(29,991)
Carrying amount					
At 31 December 2022	3,508	475	1,722	2,444	8,149
At 31 December 2021	5,232	721	300	3,445	9,698

Included within the net book value of land and buildings above is £654,000 (2021 - £670,000) in respect of freehold land and buildings and £2,854,000 (2021 - £4,562,000) in respect of short leasehold improvements.

Included in the fixed assets above are fully depreciated assets still in use with an original cost of £19,348,000 (2021 - £15,561,000). Land and buildings includes an amount of £300,000 (2021 - £300,000) in respect of freehold land which has not been depreciated.

15 Right of use assets

	Machinery £ 000	Property £ 000	Other £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	9,277	69,217	12,732	91,226
Additions	1,590	7,653	3,588	12,831
Disposals	(442)	(6,092)	(1,466)	(8,000)
At 31 December 2022	10,425	70,778	14,854	96,057
Depreciation				
At 1 January 2022	(1,897)	(21,692)	(5,525)	(29,114)
Charge for the year	(1,758)	(9,284)	(2,847)	(13,889)
Eliminated on disposal	442	3,694	1,466	5,602
At 31 December 2022	(3,213)	(27,282)	(6,906)	(37,401)
Carrying amount				
At 31 December 2022	7,212	43,496	7,948	58,656
At 31 December 2021	7,380	47,525	7,207	62,112

16 Stocks

	2022 £ 000	2021 £ 000
Stocks of fuel	87	31

There is no significant difference between the replacement cost of stocks of fuel and their carrying value.

17 Debtors

	Note	2022 £ 000	2021 £ 000
Trade debtors		195,599	264,307
Amounts receivable from group undertakings		5,481	38,077
Other debtors		69,306	70,744
Corporation tax recoverable		-	5,867
Deferred tax assets	13	5,217	4,013
Prepayments		4,361	3,684
Contract assets	4	39,101	38,516
		319,065	425,208

17 Debtors (continued)

Trade debtors are stated after provisions for impairment of £3,089,000 (2021 - £3,884,000).

Other debtors includes deferred trade expenses of £66,498,000 (2021 - £70,376,000).

Details of non-current trade and other debtors
£5,217,000 (2022 -£4,013,000) of deferred tax assets are classified as non-current as they are not expected to be realised until after more than one year.

18 Creditors: amounts falling due within one year

	Note	2022 £ 000	2021 £ 000
Trade creditors		111,646	129,056
Accrued expenses		34,897	28,997
Amounts payable to group undertakings		21,177	26,883
Outstanding defined contribution pension costs	26	1,195	1,291
Other creditors		90,501	122,799
Contract liabilities	4	35,611	37,193
Lease liabilities	20	8,602	10,365
Corporation tax		2,214	-
Derivative financial instruments		-	122
		305,843	356,706

Trade creditors are not interest-bearing. Other creditors includes accrued trade expenses of £85,292,000 (2021 - £117,953,000).

19 Creditors: amounts falling due after more than one year

	Note	2022 £ 000	2021 £ 000
Long term lease liabilities	20	49,854	52,873

20 Leases

	Note	2022 £ 000	2021 £ 000
Current portion of long term lease liabilities	18	8,602	10,365
Long term lease liabilities	19	49,854	52,873
		58,456	63,238

20 Leases (continued)

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2022 £ 000	2021 £ 000
Less than one year	9,164	10,365
2 to 5 years	40,589	38,584
After 5 years	10,496	15,875
Total lease liabilities (undiscounted)	60,249	64,824
Future lease interest	(1,793)	(1,586)
Lease liability at 31 December	58,456	63,238

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	2022 £ 000	2021 £ 000
Right of use assets - principal repayments	14,480	31,280
Interest	517	474
Short term and low value leases	1,427	2,165
Total cash outflow	16,424	33,919

The remaining lease commitments of the company as at the year end, that are accounted for as low value or short term leases under IFRS 16 and expensed to the profit and loss account, are £40,000 (2021 - £12,000).

21 Provisions for liabilities

	Dilapidations £ 000	Insurance and other claims £ 000	Total £ 000
At 1 January 2022	4,221	3,890	8,111
Increase in existing provisions	1,239	2,070	3,309
Provisions used	(351)	(1,404)	(1,755)
Unused provision reversed	(578)	(566)	(1,144)
At 31 December 2022	4,531	3,990	8,521

21 Provisions for liabilities (continued)

The amount set aside in respect of insurance and other claims relates to claims against the company as assessed by the company's insurance claims handlers. These are expected to be used over the next 2 years.

The dilapidations provision is expected to be utilised over the next 8 years.

22 Share capital

Authorised share capital comprises of 11,000,000 (2021 - 11,000,000) ordinary shares of £1 each.

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary share of £1 each	8,866,772	8,866,772	8,866,772	8,866,772

23 Reserves

Share capital

The balance classified as equity share capital includes the total net proceeds on issue of the company's equity shares.

Profit and loss account

The profit and loss account reserve includes all current and prior period retained profits and losses.

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £1,347,000 (2021 - £1,767,000).

Other financial commitments

The total amount of other financial commitments (which mainly comprises insurance claims and customs guarantees) not provided in the financial statements was £38,564,000 (2021 - £31,793,000).

25 Dividends

The directors are proposing a final dividend of £Nil (2021 - £Nil).

25 Dividends (continued)

Interim dividends paid

	2022 £ 000	2021 £ 000
Interim dividend	119,000	27,700

During the year the company paid an interim dividend of £13.42 per each ordinary share amounting to £119,000,000 (2021: £3.12 per each ordinary share amounting to a total of £27,700,000).

26 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme for all qualifying employees of the RH Group Limited. The assets of the scheme are held separately from those of the company in funds under the control of the trustees. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £7,885,000 (2021 - £7,421,000).

Contributions totalling £1,195,000 (2021 - £1,291,000) were payable to the scheme at the end of the year and are included in creditors.

Defined benefit pension schemes
The RH Group Pension Fund

Certain employees of the company are members of a defined benefit pension scheme, The RH Group Pension Fund which was transferred to Kuehne + Nagel Limited in 2013. The scheme is a defined benefit funded pension scheme which is closed to new entrants. The scheme closed to future accrual in August 2009. The scheme is subject to independent valuations at least every three years, on the basis of which the qualified actuary certified the rates of the employer's contributions which are sufficient to fund the benefits payable under the scheme. The costs associated with the pension scheme are reflected in the financial statements of Kuehne + Nagel Limited (previously they were in The RH Group Limited).

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the scheme was carried out by a qualified actuary as at 31 August 2019 and showed a deficit of £2,585,000. The company is paying deficit contributions of £369,000 p.a.

Contributions payable to the pension scheme at the end of the year are £Nil (2021 - £Nil).

The expected contributions to the plan for the next reporting period are £369,000.

The scheme was most recently valued on 31 August 2019. The 31 August 2022 funding valuation is currently underway. The results have not yet been shared with the company.

26 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2022 £ 000	2021 £ 000
Fair value of scheme assets	10,497	18,137
Present value of scheme liabilities	(10,996)	(17,911)
Defined benefit pension scheme (deficit)/surplus	(499)	226

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Fair value at start of year	18,137	17,669
Interest income	353	247
Actuarial gains and losses arising from changes in demographic assumptions	(7,961)	239
Employer contributions	369	369
Benefits paid	(401)	(387)
Fair value at end of year	10,497	18,137

Analysis of assets

The major categories of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Equity instruments	6,634	12,919
Debt instruments	3,829	5,007
Other	34	211
	10,497	18,137

Actual return on scheme assets

	2022 £ 000	2021 £ 000
Actual (loss)/ return on scheme assets	(7,608)	486

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

26 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2022 £ 000	2021 £ 000
Present value at start of year	17,911	19,577
Actuarial gains arising from changes in demographic assumptions	(9)	(37)
Actuarial gains arising from changes in financial assumptions	(7,730)	(1,282)
Actuarial losses/(gains) arising from experience adjustments	880	(231)
Interest cost	345	271
Benefits paid	(401)	(387)
Present value at end of year	10,996	17,911

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	2022 %	2021 %
Discount rate	4.75	1.95
Future pension increase	2.50	2.55

Post retirement mortality assumptions

	2022 Years	2021 Years
Current UK pensioners at retirement age - male	21.50	21.50
Current UK pensioners at retirement age - female	22.50	23.50
Future UK pensioners at retirement age - male	22.50	22.50
Future UK pensioners at retirement age - female	24.80	24.70

Amounts recognised in the profit and loss account

	2022 £ 000	2021 £ 000
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in finance income or costs		
Net interest	(8)	24
Total recognised in the profit and loss account	(8)	24

26 Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	2022 £ 000	2021 £ 000
Actuarial gains arising from changes in demographic assumptions	9	37
Actuarial gains arising from changes in financial assumptions	7,730	1,282
Actuarial (losses)/gains arising from experience adjustments	(880)	231
Actuarial (losses)/gains on plan assets	(7,961)	239
Amounts recognised in the Statement of Comprehensive Income	(1,102)	1,789

Sensitivity analysis

The assumptions around mortality rates are seen as significant, and a 1 year increase in life expectancy per annum would increase the defined benefit obligation by c3.7% (2021 - c 4.6%).

A 0.25% decrease in the discount rate would impact the defined benefit obligation with an increase of 4.3% (2021 - 5.4%) with the equivalent decrease if the discount rate moved in the opposite direction.

A 0.25% increase in the inflation assumption would increase the defined benefit obligation by 2.7% (2021 - 3.3%) with the equivalent decrease if the inflation assumption moved in the opposite direction.

27 Related party transactions

The company has taken advantage of the exemption under 8(k) of FRS 101 not to disclose transactions with fellow group wholly owned subsidiaries.

28 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Kuehne + Nagel International AG.

These financial statements are available to the public and may be obtained from Kuehne + Nagel International AG, PO Box 67, CH-8834, Schindellegi, Switzerland.

29 Parent and ultimate parent undertaking

The company's immediate parent is Kuehne + Nagel (UK) Limited. The ultimate parent is Kuehne Holding AG.

The most senior parent entity producing publicly available financial statements is Kuehne + Nagel International AG. These financial statements are available upon request from PO Box 67, CH-8834, Schindellegi, Switzerland.

The ultimate controlling party is Klaus-Michael Kuehne.