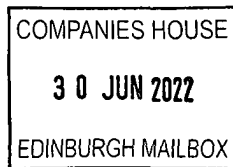


Menzies Distribution Solutions Limited

Annual Report and Accounts

For the 53 weeks ended 1 January 2022



Registration Number 3805401

Menzies Distribution Solutions Limited

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Corporate information

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Strategic Report

The Directors present their Strategic Report for the 53 weeks ended 1 January 2022.

Business review and future developments

The principal activity of Menzies Distribution Solutions Limited (the 'Company') is a provider of logistics and warehousing services covering the entire supply chain from delivering raw materials into manufacturing plants to working alongside customers to manage their finished product storage and distribution.

The business transports products within the food ingredients, consumer and industrial sectors.

The Company's revenue during the period was £165,575k (2020: £153,498k) an increase of £12,077k. Operating profit for the period amounted to £5,394k (2020: £1,879k), an increase of £3,515k due to some return to normality after the Covid-19 pandemic and synergies brought about after having been acquired by Menzies Distribution Group Limited. After finance costs of £1,395k and exceptional items of £3,323k, the Company made a profit before taxation of £676k (2020: £304k).

This financial period marks the first full year with Menzies Distribution Services Limited, Menzies Distribution Solutions Limited, and Menzies Distribution Logistics Limited trading within the Menzies Distribution Group Limited and its various subsidiaries (the 'Group'). This acquisition supports the Group's strategy to transform and diversify its core operations and markets, expanding its network coverage nationally across the UK and Ireland, and extending its service offering across all its chosen markets. The Company did not escape the challenging impacts of the UK driver shortage in H2 2021, adversely impacting driver wage inflation and increasing the Company's reliance on agency drivers, as well as the significant increases in fuel costs. However, proportionate price increases with our customer base enabled the impact of these inflationary pressures to be minimised.

Covid-19

As a result of the global spread of Covid-19, the UK Government issued a number of guidelines significantly restricting the movement of all people across the country. Since this happened, the primary objective of the Board has been to ensure the safety and wellbeing of all its employees. All applicable government advice has been followed across all the Company's businesses.

In response to the initial uncertainty of the Covid-19 situation, the Company moved quickly to take appropriate actions to manage its costs. As we move into 2022, the business landscape has changed with a vaccination and booster program now well established, enabling a higher degree of confidence in the economic outlook.

The Board pays tribute to all our employees, inspired by their passion and endeavours in the face of real challenges and uncertainties, as they worked courageously throughout this unprecedented period, supporting our customers and their local communities.

Thank you to all our colleagues for your enormous contributions.

Key performance indicators

The Directors believe that while analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company, it is important that the business produces an adequate and stable return on its endeavours:

KPI		1 Jan 2022	26 Dec 2020	Change
Revenue	£000	165,575	153,498	7.9%
Operating profit margin	%	3.3%	1.2%	2.1%

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Strategic Report (continued) - Directors' Duties, Governance Report (Section 172 (1) Statement)

The Company's section 172 (1) statement covers how the Directors of the Company have acted in the way they have considered, in good faith, most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regarded (amongst other matters):

The likely consequences of any decision in the long term

The Directors understand the business and the evolving environment in which the Company operates, including the recent challenge presented by the coronavirus pandemic and the risk of future pandemics.

The principal responsibility of the Board is to promote the long-term success of the Company for the benefit of its stakeholders and shareholders. In discharging such responsibility, it must ensure that the Company's affairs are always conducted within the parameters of the Company's internal control framework and the interests of internal and external stakeholders appropriately identified and managed. Whilst determining and overseeing delivery of the Company's strategic objectives, the Board also assumes governance and regulatory responsibilities across a diverse range of topics (for example, health and safety, risk and compliance) and has a formal schedule of matters specifically reserved for its attention. This includes, without limitation, consideration and, if appropriate, approval of the Company's financial statements, going concern statements at year-end and key financial and operational item such as potential acquisitions, disposals, capital expenditure above certain thresholds and major non-recurring projects.

Additionally, the Board has overall responsibility for the Company's systems of internal control, covering financial, operational, compliance and risk management and for annually reviewing their effectiveness. Day-to-day responsibility for such systems, including deployment and maintenance, rests with the relevant members of the Senior Management team. The Board ensures that it regularly reviews their effectiveness and actively monitors the processes by which principal and emerging risks are identified, evaluated and managed.

To ensure the full and proper discharge of its duties, the Board convenes on a regular monthly basis. Agendas for each Board meeting are developed from the Board's annual plan of business and tailored to reflect the current status of projects, strategic workstreams and the overarching operating context. Board papers are issued in advance of each Board Meeting, allowing Directors adequate time to familiarise themselves with the items for discussion. At Board Meetings, Directors receive and consider presentations from Executive Directors and other relevant colleagues of external advisors, as appropriate.

The interests of the Company's employees

Our employees are interested in subjects such as opportunities for development and progression, working arrangements (especially as a result of the coronavirus pandemic), opportunities to share ideas, diversity and inclusion, and compensation and benefits, and we have developed various communication channels to help meet their needs. The engagement with employees is discussed in more detail in the 'Employees' section of the Directors' Report on pages 23 and 24.

The need to foster and manage the Company's business relationships with its suppliers, customers and other stakeholders

The Directors and their business partners are interested in long-term partnerships and a collaborative approach. Our engagement with our suppliers, customers and other stakeholders is critical.

The Board has a 'customer service first' policy which is focussed on ensuring solid foundations for any customer relationship by delivering a service that meets the needs of our customers in all of the markets that the business operates. Customers are account managed with operations at the forefront, with the Board focussed on giving operations the best conditions to succeed. The Company has a number of long-term customers and intends to maintain this going forward.

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Strategic Report (continued) - Directors' Duties, Governance Report (Section 172 (1) Statement) (continued)***The need to foster and manage the Company's business relationships with its suppliers, customers and other stakeholders (continued)***

Strong working relationships with our suppliers is crucial to the effectiveness of our entire operation, enhancing our efficiency and creating value. The Board is supportive of the Company's commitment to long-term strategic relationships with our closest supply partners, thereby increasing the efficiency and integrity of our supply chains.

The Company is committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain and imposes the same high standard on our suppliers. On this basis, the Company will regularly evaluate the nature and extent of our exposure to the risk of modern slavery and will ensure all our suppliers adhere to the Modern Slavery Act 2015 and other relevant legislation. The Company will enforce a strict code of compliance.

The impact of the Company's operations on the community and the environment

During the year, the Company has been furthering its efforts to increase the level of environmental awareness amongst our staff and ensuring that all our people have the ability to make more environmentally friendly choices.

We communicate with our staff through various updates from our Chief Executive and our Corporate Social Responsibility (CSR) Committee, providing information on how our staff can participate in environmental campaigns.

Regular monthly meetings are held with vehicle suppliers, as well as industry bodies, to monitor all new legislation changes that could potentially impact our vehicle fleet. Our policy is that all new vehicle upgrades will meet the requirements of Euro6 standards, and all replacements will be considered for Fully Electric Potential.

Our people, our customers, our stakeholders, and our communities are intrinsically linked. Enhancing the contribution in which we operate is an area our people feel strongly about. We aim to encourage greater employee involvement in shaping our charitable giving and supporting our local communities, empowering our people to contribute time and energy to this area.

As a responsible business, we want to play our part in addressing environmental challenges, in line with the expectations of our customers, our people and our other stakeholders. We intend to continue our carbon offsetting approach, linking this with initiatives that focus on innovative improvements that we can make across our business in relation to reducing our carbon footprint. Additionally, we will seek new opportunities to link in with charities local to our operations, promoting sustainable opportunities within the communities we operate. We will also seek ways to support our customers in their own sustainability goals.

More details on our environmental policy, climate and communities is included in the 'Sustainability Report' of this Strategic Report on pages 13 to 21.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Company's reputation is vital to our continued success. In order to facilitate this, the Directors of the business have employed suitably qualified and trained employees within each department as well as investing in the necessary IT systems. The Company has continued to invest in new fleet, properties and systems to ensure high standards of business conduct are achieved.

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Strategic Report (continued) - Directors' Duties, Governance Report (Section 172 (1) Statement) (continued)

The need to act fairly between members of the Company

The Board's approach is to attract and retain the best possible people who have the capacity and drive to meet the Company's strategic and financial objectives. To attract and retain the Executive Directors they are offered a basic salary and pension that is fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business by way of an annual bonus scheme which rewards the Directors based on achieving year-on-year targets.

The Directors understand the need to act fairly between members of the Company. A whistleblowing policy is in place for any activity that is deemed unfair, unprofessional or illegal behaviour, with any incidents fully investigated. There is also a formal grievance policy in operation, with any allegations again formally investigated.

Key matters considered by the Board during the period included:

- the Company's responsibilities in connection with the Covid-19 pandemic.

In its decision making, the Board considered the position of various stakeholders and, where relevant and to the extent permitted by law, consulted and engaged in respect of these and other decisions during the period.

Directors' opinion

Considering all these s172 matters, the Directors are satisfied that they have complied with the s172 requirements.

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Strategic Report (continued) - Risk Management

The Board understands the risks the business faces and takes a proactive approach to risk management in order to maximise opportunities, drive better commercial decision-making, and protecting our people and our business.

The Board set the culture and approve the strategy of the Company. The Board also ensures appropriate oversight and monitoring through a number of mechanisms, including strategy reviews, committee meetings, management reports and focused reviews of selected risk areas.

On behalf of the Board, the Senior Leadership Team are responsible for reviewing and assessing the effectiveness of the Company's risk management and internal control systems. The review process covers the Company's principal risks, as well as financial, operational and compliance controls.

Our overarching risk register process is designed to identify risk, establish the level of each risk by considering probability of risk occurrence against the impact on financial, operational and reputational risk in each of the various categories within our business matrix. The risk register will determine the key control mechanism and will always seek to mitigate such risks.

Risks are typically categorised into 13 areas with key identified risks and emerging risks, both financial and non-financial, such as environmental and governance risks. This risk register, plus the Corporate Criminal Offence ('CCO') risk assessment, are reviewed on an annual basis and reported to the Board.

Our divisional and functional teams are responsible for day-to-day management and reporting of risks. They identify new and emerging risks, escalate where appropriate, and take action to ensure risks are managed as required. Such an example is climate change and the potential impact this may have on the business strategy. This is incorporated into the risk register and is reviewed by the Board. See the Sustainability Report with this Strategic Report on pages 13 to 21 for more details.

The Company's risk appetite is therefore reflected in the control and assessment criteria in place for each principal risk and key Company activity. This is subject to rigorous and constant review and the Company will therefore continue to evaluate and evolve its approach to risk throughout 2022.

Principal risks and uncertainties

The principal risks and uncertainties associated with the Company's operations are set out below:

Economic and environmental risk

The Company's performance is influenced by general economic conditions such as the Covid-19 outbreak, conflict between Ukraine and Russia and climate change.

The Covid-19 pandemic had, and will continue to have, an impact across the business. Going concern projections have reflected how we expect the business to return towards a form of normality in light of the roll-out of the vaccination and booster programs. Our methodology and approach for customer credit risk was reviewed so as to reflect the risks associated with Covid-19. As the pandemic continues and the full impact is yet to be seen via Experian (a credit reporting company) or cohort analysis, the Company has continued to adopt the Covid overlay to the bad debt provision.

Even though the conflict between Ukraine and Russia will not have a direct impact on the Company's business, pressures on oil prices could have an indirect impact on the Company's fuel prices. The Company will continue to monitor and assess this situation.

The Company recognises the complex global challenges presented by climate change and the importance of understanding the risks and opportunities that it represents, while at the same time embedding these considerations into strategic decision-making. The focus and discussions on climate change will almost, inevitably, lead to additional legal and/or regulatory measures, additional compliance obligations and operational restrictions.

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Strategic Report (continued) - Risk Management (continued)
Principal risks and uncertainties (continued)***Economic and environmental risk (continued)***

At present, there is risk to the Company from the potential impact of changes to legislation on plastics, paper, fuel, carbon and recycling. Increasing and promoting gift/copy reuse and working with our strategic partners to ensure we can scale capacity to meet future requirements will be critical to converting this risk to an opportunity as a unique selling proposition, as outlined in more detail in the Sustainability Report on pages 13 to 21. In respect of fuel and carbon, the continuing evolution to and development of electric vehicles, carbon neutral transportation, Ultra Low Emission Zone ('ULEZ') zones, the expansion of traffic free city centres and the potential for further congestion charges may require additional changes to our fleet and transport capabilities.

To manage this risk, regular monthly meetings are held with vehicle suppliers as well as industry bodies to monitor all new legislation changes potentially impacting our vehicle fleet. All new vehicle upgrades will meet the requirements of Euro6 standards and all replacements will be considered for Fully Electric Potential. The Company is working with a number of manufacturers to understand what is coming in the future and how this will intergrate with our fleet. We have trialled a number of natural gas fuelled vehicles, recognising such technology is in its infancy and is not yet suited to our business. All additions to the Company's fleet require approval at the Company's monthly 'Material Contracts Approval' meetings attended by the CEO, CFO, Ops Director and senior management personnel from the Sales team, Finance team and operations team. All vehicles are replaced every 4 years and are subject to daily checks to ensure roadworthiness laws are met in full. LEZ and ULEZ zones are adopted across different areas of the country and the Company attends all clean air roadshows to anticipate change requirements and timescales in order to maintain full compliance.

The Company is developing better tools to facilitate CO2 reporting for customers so as to expand discussion and dialogue on environmental and sustainability issues and work together on joint projects.

Financial instrument risks

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations.

Interest rate risks

The Company has access to a fixed rate interest bearing revolving credit facility which therefore means that the Company's interest income and expenses is not affected by movements in interest rates. The Company does not undertake active hedging of this risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed within the central 'order to cash' department and is subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

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Strategic Report (continued) - Risk Management (continued)
Principal risks and uncertainties (continued)***Market change risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. To ensure the Company is prepared for any such market change risks:

- A strategy review exercise which involves a full examination of market conditions and trends is held each year prior to budget setting.
- Market research investment is made to ensure the Directors' understanding remains current.
- The Company focuses on cost and productivity efficiency in its core business.

Risk that self-employed drivers are awarded worker or employee status

A steering group, led by the Head of HR, meets regularly to assess our compliance with employee legislation and IR35. The Steering Group also includes the Head of Legal and Compliance. It is the responsibility of the Head of HR to assess the employment status of all individuals directly used by the Company. An internal assessment is carried out on each individual self-employed driver. Risk areas are identified and addressed accordingly. A process flowchart has been created to simply set out the procedures that are followed for any new self-employed contractor joining the business. This is added to the internal audit. An annual risk and compliance meeting is held by the Company each year.

Risk that the Company does not comply with O-license and road safety regulations

Fleet compliance is central to meeting our O-Licence obligations, which allows the Company to operate its delivery and trunking fleet. Loss of O-Licences would significantly impact the Company's ability to operate. In addition, there is the risk that failure to use the weighbridge appropriately will lead to over weight vehicles being despatched and potential prosecution or scrutiny from regulatory bodies, including the Health and Safety Executive.

Formal documented procedures are in place and made available to all drivers to ensure compliance that all vehicles are fully inspected and weighed before being despatched. A full transport manual is currently in the process of being written which will act as a reference guide to transport departments. Regular communication updates and reminders are sent to all branches and discussed on weekly operational calls. Each hub has a regional transport manager who oversees their area and acts as a beacon for any issues that may arise. Any citations or incidents are fully investigated with procedures updated and effectively communicated, if required. In an effort to protect the O-Licence, regular audits are conducted at our branches to highlight areas of non-compliance and implement immediate remedial action. The majority of our depots have weighbridges and it is our policy for all vehicles to be weighed on exit to ensure compliance. This is monitored in branch and forms part of the transport audits. Those branches without weighbridges do have a mechanism to assess payloads to ensure a vehicle is not overweight. As vehicle technology advances, vehicle onboard weighing will be readily available. The Company is a member of the Freight Transport Association and the Road Haulage Association and have full access to their members advice centre who can resolve any legislative queries we may have. All the Company's transport managers attend a compulsory yearly transport manager refresher to keep up to date with current and new legislation.

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Strategic Report (continued) - Risk Management (continued)**Principal risks and uncertainties (continued)*****Risk of fraud & bribery prosecution***

The risk that the Company fails to prevent fraud or bribery or fails to comply with the governing legislation.

All employees annually have to complete Bribery Act and modern slavery compliance training which is regularly refreshed to reflect any changes in law. The Company has an Anti-Bribery and Corruption Policy and Gifts and Hospitality policy. It also has a modern slavery policy and statement on its website. In respect of fraud, no petty cash is held on any site. All balance sheet reconciliations are prepared and submitted each month by a finance manager and reviewed and signed off by the Finance Manager within Corporate Reporting and Treasury. Formal balance sheet reviews take place every month. Self-certifications are required from both preparer and reviewer to confirm that all reconciliations are complete and accurate, without any potential risk of fraud being identified. Banking powers are approved by the CFO only, who has no access to the bank accounts or SAP directly. Each payment processed requires dual signature. Segregation of duties ensure no one finance person has the ability to process and pay a transaction from start to finish.

People risk

The Company's business relies on people. High staff turnover leads to low experience and skill levels. This could leave our operations without sufficiently skilled employees to deliver the Company's business objectives.

There is therefore the risk that insufficient succession plans are in place so that key staff are not identified to fill senior positions from within the business. There is considerable competition for highly trained staff in certain areas of the Company. Our strategy requires the recruitment and retention of highly-skilled managers and employees.

Succession plans are reviewed annually and throughout the year when risk areas are identified and plans are put in place to address. Annual performance reviews are held with all business leaders and reported on Myles, our online employee training and development system. The Company reviews its salary and reward offer on an annual basis to ensure it offers a competitive pay package to employees. A number of internal programmes have been introduced to train and develop key employees, the leaders of tomorrow.

Technology risk

The risk that we do not have adequate back-up procedures for our systems or that those systems are vulnerable to attack. An outage for a period of time could have an impact on our operations. Loss of commercial or personal data could damage the business or our reputation and result in increased financial penalties.

Disaster recovery processes are in place. The Company continually reviews its systems to ensure they are appropriately secured, and have invested in firewalls and other security features. Penetration testing is conducted. Investment is made in appropriate policies, people and technology to reduce the severity and likelihood of information security risks crystallising.

The Company has therefore ensured that its IT infrastructure is flexible, reliable and secure. Secure infrastructure prevents external cyber-attacks, insider threat or supplier breach which could cause service interruption and/or the loss of company and customer data. Flexible and reliable IT infrastructure means that the Company is able to meet its strategic goals and react to changing events.

The Company has a defined risk-based approach to the information security roadmap and technology strategy which is aligned to its strategic plans. There is regular tracking of key programmes against spend targets and delivery dates. Cyber risk is assessed on a day-to-day basis, using proactive and reactive information security controls to mitigate common threats. The business has access to third-party cyber security specialists and the Company encourages a cyber aware culture by undertaking exercises such as computer-based training and more regular communications about specific cyber threats.

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Strategic Report (continued) - Risk Management (continued)**Principal risks and uncertainties (continued)*****Health and safety***

The risk that the Company is involved (directly or indirectly) in a major operational incident, including extreme weather events, resulting in significant human injuries, fire damage or damage to property. This could have a significant impact on claims against the Company, its reputation and its chances of winning and retaining contracts. In extreme cases, services could be suspended or structural changes imposed on the Company as a result of regulatory or other action. A series of less severe incidents could have similar consequences.

The Company has a proactive culture that puts health and safety at the top of its agenda in order to mitigate the potential for major incidents. In the event that a major incident did occur, the Company has detailed health and safety procedures and processes in place. The Company employs a central health and safety team who visit and inspect all business locations.

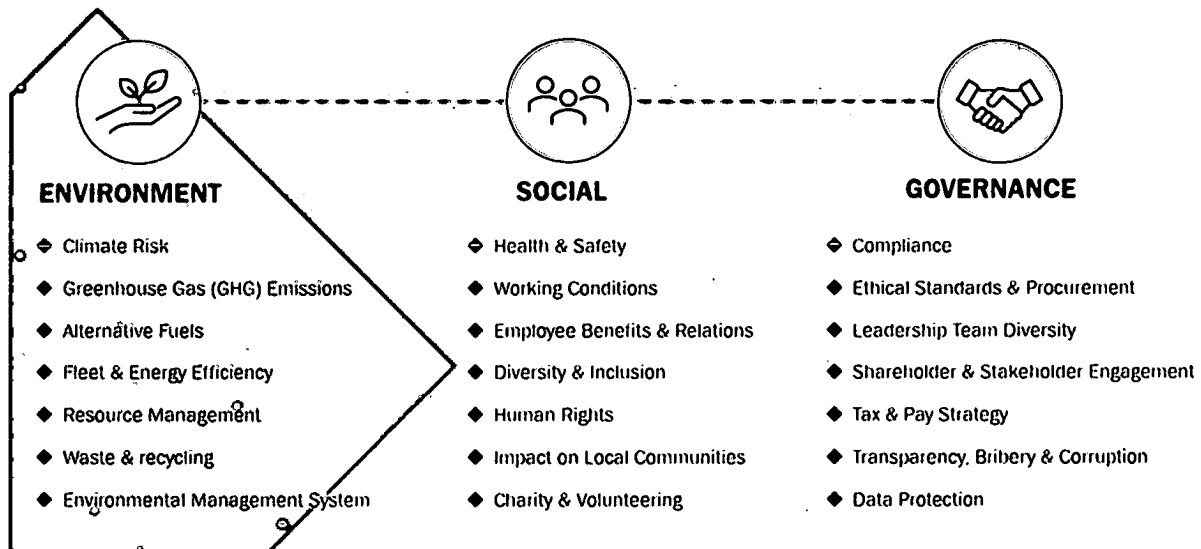
The Company undertakes regular training and assessment programmes, monitors business records and completion of risk self-assessments, analyses all 'near miss' reporting and undertakes routine audits and investigations if felt necessary. Health, safety and environmental data and reporting are provided to business management and leadership to manage and achieve target business performance. The Company periodically rehearses its response to a hypothetical major incident. The Company has insurance arrangements in place to reduce the financial effect on the Company of certain claims against it. Where claims do arise, they are managed by the Company's Head of Insurance, alongside our outsourced insurance providers with claims specialists. Where appropriate, legal advice is obtained from appropriately qualified advisors. The balance between insured and retained risks is re-evaluated at least once a year and insurance and claims activity is monitored closely.

Strategic Report (continued) - Sustainability Report

The United Nations Climate Change Conference was held in Glasgow in November 2021 bringing a renewed global focus on the importance of achieving net zero by the mid-century with all countries playing their part.

Our focus at Menzies Distribution (the 'Group') is not solely on environment and CO2 reduction. Like many businesses, we consider our broader sustainability plans to embrace all the factors of ESG – Environmental, Social Governance.

- **Environmental** factors include the contribution a company or government makes to climate change through greenhouse gas emissions, along with waste management and energy efficiency. Given renewed efforts to combat global warming, cutting emissions and decarbonizing is become more important.
- **Social** include human rights, labour standards in the supply chain, any exposure to illegal child labour, and more routine issues such as adherence to workplace health and safety. It also includes how well a company is integrated with its local community
- **Governance** refers to a set of rules or principles defining rights, responsibilities and expectations between different stakeholders in the governance of corporations. A well-defined corporate governance system can be used to balance or align interests between stakeholders and can work as a tool to support a company's long-term strategy.



Strategic Report (continued) - Sustainability Report (continued)

Setting our ambition

Menzies Distribution Group is committed to:

- A Net Zero CO2 ambition for our Scope 1&2 emissions, with a target date of no later than 2035;
- Establish and have validated Science Based Targets* by 31 December 2023;
- Utilise our Fleet Strategy to deliver and evolve our decarbonisation strategy; and
- Establish, implement and monitor wider sustainability and ESG targets.

*Science-based targets provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals. More than 1,000 businesses around the world are already working with the Science Based Targets initiative (SBTi). Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C

In 2021 the Group's overall CO2 footprint was 90,459 tonnes (2020: 89,666 tonnes) of which 96.5% is from vehicle fleet operations. We acknowledge the scale of our ambition, but know it is the right thing to do for our business, our customers, our colleagues and the wider community.

During the year, the Group has been furthering its efforts to increase the level of environmental awareness amongst our staff and ensuring that all our people have the ability to make more environmentally friendly choices.

We communicate with our staff through various updates from our Chief Executive and our Corporate Social Responsibility (CSR) Committee, providing information on how our staff can participate in environmental campaigns.

Our route to zero

Our Net Zero ambition is a challenge for our business and a lens through which to assess future business decisions and investments. It will guide our decision-making over the long-term, taking us closer to our goal using the best fit technologies that evolve. Where relevant the Group will work in partnership with clients who may contribute to costs of decarbonisation with new vehicle technologies, alternative fuels etc.

Ensuring efficiency

Our focus on efficiency is relentless. Eliminating empty running and maximising vehicle utilisation is one of the most fundamental ways the Group can reduce its CO2 footprint. As well as utilising planning centres, cross business collaboration and fleet sharing, we also invest heavily in fleet specification to maximise efficiency, including:

Longer Semi Trailers

- Menzies have been using new longer semi-trailers (LST) for several years under the Government Trial.
- The Group are now operating 78 LST trailers for several of its customers making us one of the largest operators.
- With an increased capacity of 35%, the Group is able to significantly reduce road miles and increase efficiency.

Double & Triple Deck Trailers

- The Group makes best use of double and even triple deck trailers in our fleet to maximise fill and take vehicles off the road.
- These are beneficial for larger and difficult to stack freight.

Tanker Innovation

- The Group runs a large fleet of highly specialised bulk tankers for leading food customers.
- Innovation in lighter tankers and other leading technologies means the Group can increase payload, reducing customer deliveries and taking out road miles to achieve significant CO2 savings.

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Strategic Report (continued) - Sustainability Report (continued)**Investing in equipment**

Regular monthly meetings are held with vehicle suppliers, as well as industry bodies, to monitor all new legislation changes that could potentially impact our vehicle fleet. Our policy is that all new vehicle upgrades will meet the requirements of Euro6 standards, and all replacements will be considered for Fully Electric Potential.

By diluting our diesel fleet with fully electric vehicles, the Group now travels over 300,000 miles per year emission free and has reduced its carbon footprint by a significant 102 tonnes of CO₂ per annum. We are demonstrably contributing to the reduction of air pollution as our electric vehicles do not emit harmful tailpipe pollutants such as particulates (soot), volatile organic compounds, hydrocarbons, carbon monoxide, ozone, lead, and various oxides of nitrogen. Our charging infrastructure complements the electric vehicles as we charge all our electric fleet using renewable energy which yields a very low carbon footprint, with CO₂ only created when producing and installing the generation system.

We are working with a number of manufacturers to understand what new technologies will be available in the future and how these might integrate with our fleet. We have trialled a number of natural gas fuelled vehicles. However, these are still in their infancy and, as yet, not suited to our business. Talks continue with manufacturers on this.

All vehicles are replaced every 3-4 years and are subject to daily checks to ensure roadworthiness laws are met in full. As LEZ and ULEZ zones are adopted across different areas of the country, we attend all clean air roadshows to anticipate change requirements and timescales to maintain full compliance.

To continue to reduce the carbon footprint of our fleet, we are also changing driver behaviour to make our fleet operations even safer. Our telematics system is actively used to monitor carbon-inefficient and potentially risky activities, such as harsh acceleration or braking, plus it can be used to reduced excess idling. This will allow the business to create tailor-made training packages for each individual driver to improve the carbon efficiency of their driving.

Protecting our environment

As well as taking steps to reduce our carbon emissions we recognise the importance of taking the necessary steps to protect the environment around our operations and test the effectiveness of our responses should the worst happen.

The Group's Environmental Policy recognises that being socially responsible enhances the Group's overall value and commits to minimise its impact on the environment by:-

- Identifying any significant impact that our activities have on the environment.
- Document, implement and maintain an Environmental Management System.
- Raise environmental awareness.
- Conserve energy, seek to reduce waste, prevent pollution, and minimise use of fossil fuels.
- Maintain an open dialogue with all stakeholders ensuring that operations are performed in a safe, ethical, and efficient way.
- Encourage suppliers and contractors to develop sustainable practices.
- Take all essential measures to prevent pollution whilst handling hazardous materials.
- Meet or exceed relevant legislative requirements.
- Communicate policies, procedures, and audit performance.
- Set and regularly review environmental objectives, targets, and continual improvement.

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Strategic Report (continued) - Sustainability Report (continued)**Social & communities**

As a multi environmental award-winning national logistics brand (see page 23), the Group has an extensive, time critical, mix model delivery network across the whole of the UK and Ireland.

Our scale is vast, currently distributing in excess of 30m units across our network every week, to 30,000 locations each day, including newspapers and magazines, retail stock, Goods Not For Resale, POS, healthcare consumables and parcel delivery services.

We're on every high street, every day which makes us connected to people nationally as well as locally – and that means our deliveries are the lifeblood of communities across the UK.

Our aim is to be a good neighbour and a responsible employer. The Group has been providing good jobs to local people for generations, making sure those in the communities in which the Group is based have the job security and stability that helps them to thrive. The Group will do whatever it can to continue working like this for many more generations to come.

Our people, our customers, our stakeholders, and our communities are intrinsically linked. Enhancing the contribution in which we operate is an area our people feel strongly about. The Group aims to encourage greater employee involvement in shaping our charitable giving and supporting our local communities, empowering our people to contribute time and energy to this area.

Menzies is committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain and imposes the same high standard on our suppliers.

On this basis, the Group will regularly evaluate the nature and extent of our exposure to the risk of modern slavery and will ensure all our suppliers adhere to the Modern Slavery Act 2015 and other relevant legislation. The Group will enforce a strict code of compliance.

SAFETY FIRST

Our employees are part of the wider community, and we are committed to keeping them safe at work. Our mantra is:

- THINK SAFE
- WORK SAFE
- HOME SAFE

Through our Health and Safety Management Systems and programmes we have achieved:

- 30% reduction in Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR') accident rates (per 100,000 workers) from the previous year
- 67% reduction in days lost from accidents since the previous year
- 40% reduction in lost time accidents from the previous year

Menzies Distribution Solutions Limited

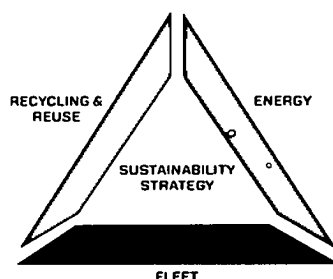
Registration Number 3805401

Strategic Report (continued) - Sustainability Report (continued)**Climate**

As a responsible business, Menzies wants to play its part in addressing environmental challenges, in line with the expectations of our customers, our people and our other stakeholders. The Group intends to continue its carbon offsetting approach, linking this with initiatives that focus on innovative improvements that can be made across the business in relation to reducing its carbon footprint. Additionally, the Group will seek new opportunities to link in with charities local to its operations, promoting sustainable opportunities within the communities it operates. The Group will also seek ways to support its customers in their own sustainability goals.

The Group focuses on three key areas to make its business more sustainable and its transport cleaner:

1. Fleet
2. Energy consumption
3. Recycling & reuse - working with partners within the supply chain to help accelerate change



With innovations that span fleet electrification, vehicle to grid charging, vehicle design, alternative fuels, self-sufficient warehousing, carbon offsetting and revisiting the need for PVC in vehicle livery, Menzies is committed to shaping logistics for the future that directly address the climate change crisis.

During 2021, the Group continued to engage the services of an independent third party to report on our carbon footprint. This gave the Group full visibility and an independent assessment as to our progress in reaching our long-term goals and our progress year on year.

The objectives of our independent assessment included:-

- assurance to ISO 14064-3 standard that the Greenhouse Gas (GHG) statement was reliable and of sufficient quality for reporting purposes.
- support to meet the requirements for Streamlined Energy and Carbon Reporting (SECR)
- assistance in creating clear and focused internal reporting – covering energy and carbon in detail – for CSR reporting, annual reports and tracking towards our 2035 strategic goal, as well as measure our progress in implementing ESOS energy improvements.

The assessment covered Menzies UK and Republic of Ireland operations and the following sources of GHG emissions was within the scope of the verification: -

- Scope 1 (direct): natural gas, company commercial vehicle fuel, LPG and gas oil.
- Scope 2 (indirect): purchased electricity. This includes electricity transmissions and distribution.
- Scope 3 (other indirect): business travel (air, rail, personal car, taxi).

The Group, recognising its carbon footprint responsibilities, has implemented various measures and initiatives to further reduce energy consumption and its GHG emissions.

Menzies Distribution Solutions Limited

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Strategic Report (continued) - Sustainability Report (continued)**Climate (continued)**

To demonstrate this, in 2021, we ensured that 100% of our electricity supply is on a green renewable energy tariff. This means that for the bulk of every KW of electricity the Group use is from a sustainable source and therefore emits a zero CO₂.

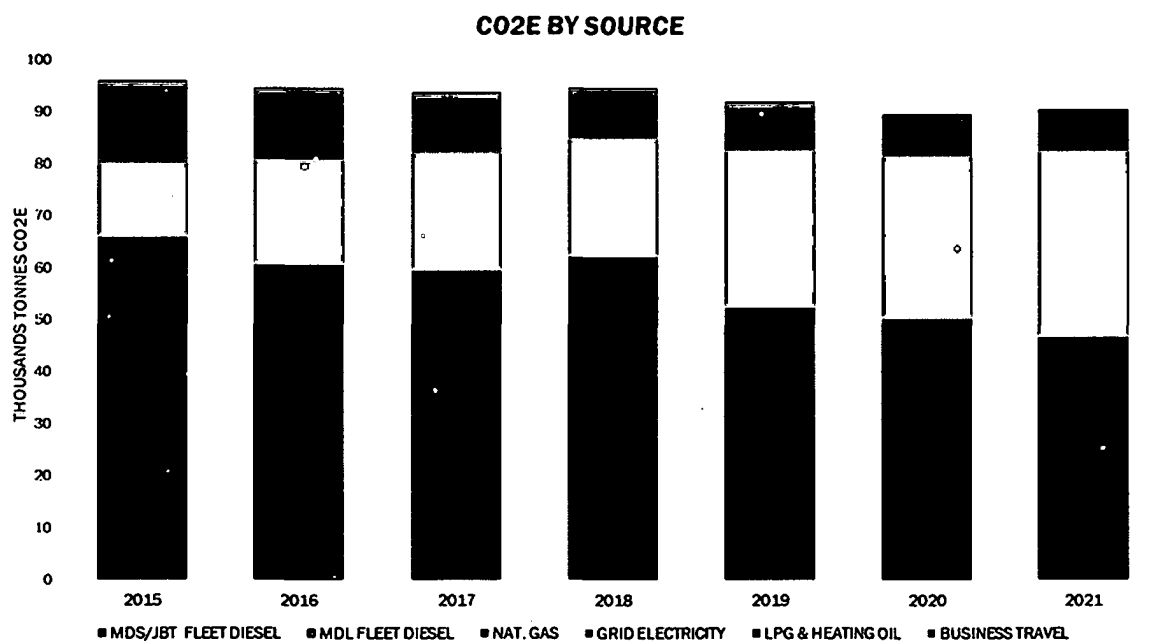
The table below compares our consumption from last year to this and measures this against our increasing fleet and national network capacity.

Measured in tonnes CO ₂ E	2015 (Baseline)	2020	2021
Scope 1 - Diesel, natural gas, LPG etc	85,012.1	86,226.8	87,351.6
Scope 2 - Grid electricity *	10,463.3	3,222.0	2,878.6
Scope 3 - business travel	622.0	216.9	229.0
Total gross emissions	96,097.4	89,665.7	90,459.2
Fleet Direct Kg Co ₂ per km driven **	0.608	0.461	0.440

* The CO₂ as stated is location based for all MDL sites which have been on a full renewable green tariff since late 2020. All MDS sites were brought onto this tariff in October 2021.

**Through our relentless focus on efficiency and adoption of new technology our fleet has become less carbon intensive over the last 6 years. We have achieved a 27.6% improvement in CO₂ per km from 2015 to end 2021.

Our CO₂ footprint is broken down in the following graphical representation:



Menzies Distribution Solutions Limited

Registration Number 3805401

Strategic Report (continued) - Sustainability Report (continued)**Climate (continued)**

The Group have reduced its total carbon footprint by 5,638 tonnes (5.87%) from 2015 to 2021. Reduction in grid energy use across our estate by investment in energy efficiency such as LED lighting and replacing older less efficient sites has been the key determining factor. Our estate now also operates on a renewable green energy tariff.

CO2 impacts from business travel have also significantly reduced through wider adoption of remote working technologies.

The largest component of our overall footprint is the usage of diesel fuel in our vehicle fleet. While the proportions of fuel used by different divisions has changed over the years, illustrated in the graph above, the overall amount of emissions from vehicles has stayed relatively static as the business has grown overall. Our fleet has become less CO2 intensive over the period 2015 to end 2021 with 0.440 kg CO2e emitted per km travelled compared to 0.608 kg CO2e emitted per km in 2015, an improvement of 28%.

Best fit alternative fuels

When it comes to alternative fuels for combustion engine vehicles, particularly LGV's, the Group acknowledges there are a range of different options, some more suited to specific operations than others. Through our partnerships with our supplier base the Group can work with customers to deploy LPG, LNG, Biomethane and HVO fuelled vehicles where they are the best fit for that customer and operation.

The future's electric

Menzies introduced its dedicated electric fleet because the Group recognises that fossil fuels are not sustainable. The Group's priority is to expand it at pace, far ahead of regulatory deadlines. Menzies has played a leading role in electric vehicle (EV) technology and were the first organisation to introduce electric fleet to the Scottish Highlands & Islands. For every EV we introduce, we're improving air quality, cutting particulates and reducing harmful nitric oxide emissions.

A charging ecosystem

Charging infrastructure is critical to the transition to electric vehicles. To enable our fleet to make as many carbon neutral deliveries as possible, Menzies has established the largest commercial charging infrastructure in the UK and the Group is building on that infrastructure, working with energy suppliers to create a far-reaching ecosystem of charging points. Through extensive trials, the Group has also developed an energy efficient vehicle-to-grid (V2G) charging process – meaning we charge at off-peak times and return spare charge to the grid at peak times when demand for energy is high.

Our impact through choosing electric

- Over 300,000 emission free miles driven every year.
- 10 million items delivered emission free.
- 2.5m kg of CO2 saved by replacing diesel with electric.
- PVC-free livery – biodegradable and free from toxic chemicals. The Company has begun to implement a fully recyclable livery option, the first of its kind in the UK.
- Zero-emission rural deliveries including the Scottish Highlands & Islands.

Menzies Distribution Solutions Limited

Registration Number 3805401

Strategic Report (continued) - Sustainability Report (continued)**Climate (continued)*****Beyond zero emissions***

As for the rest of the Group's fleet, we're ensuring every aspect is as sustainable as it can be. Improvements to vehicle design have made bodywork more aerodynamic and the introduction of air deflectors has reduced vehicle drag by 30% and increased fuel efficiency by 10-15%.

Our fuel partner offsets the carbon from pipe to pump by tree plantation schemes, and the fuel itself has special additives to reduce harmful engine deposits that impact on air quality. Menzies entire diesel fleet is Euro 6 compliant, meeting the toughest and lowest emissions limits in history, along with the criteria for Low and Ultra-Low Emissions Zones and the UK's Clean Air Zones.

The Group optimise routes to minimise miles driven and we have a robust driver monitoring and training programme to not only reduce emissions and increase efficiency but improve safety. The business actively measures total CO2 per kilometre and can demonstrate a 5.8% reduction over the past 12 months.

A force for good on the global stage

As partners of Transaid, Menzies shares knowledge and expertise to transform lives through safe, available, and sustainable transport across the globe.

Clean transport, clean network

The Group have introduced smart LED lighting into its new sites and are actively retrofitting our older sites. This combines ultra-efficient LEDs with advanced motion sensing control equipment to slash the energy usage on lighting by around 70%. In 2021 we retrofitted sites in Sheffield, Newbridge, Dundee and East Kilbride which join the many of our sites already with LDS.

The Group installed solar panels on the roof of its Wakefield site. These are now generating around 200,000 kwh of renewable energy per year. This will be used to power the site during the day and return any surplus to the grid. This helped avoid over 42 tonnes of CO2 emissions in 2021.

Our new Camberley site is our first BREEAM Excellent rated site and also has solar panels. It has an EPC rating of A+ which improves significantly on the EPC D rating of the site it replaces.

Our new Elgin facility has been built with environmental sustainability at its heart with the facility being powered entirely by clean and renewable energy sources. To support the continuing expansion of Menzies' electric vehicle fleet across Scotland and the adoption of electric vehicles more widely, the site has electric vehicle charging points accessible to all.

All our estate is on a 100% green renewable energy tariff for electricity.

Reuse strategy for print products

In a sector with much recyclable material, the Group has implemented a waste management strategy that allows it to recover, bale and recycle over 26,331 tonnes of material each year.

This helps avoid over 70,000 tonnes of CO2 being emitted if this material would have ended up in landfill.

Our specialised sortation centre in Sheffield has diverted over 24.5m items from landfill for reuse that avoids over 6,000 tonnes of CO2 being emitted. Utilising our scanning technology Menzies are able to automatically filter copies for copy/gift reuse and recycling

This facility also helps our customers make best use of their own resources and helps eliminate plastic usage.

Menzies Distribution Solutions Limited

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Strategic Report (continued) - Sustainability Report (continued)**Recognition**

In support of the Group's drive in its Environmental strategy, through 2021 the business has been granted the following award accolades: -

- | | |
|--|--------------------------------------|
| • Logistics UK's Logistics Awards | Van Operator of the Year |
| • Supply Chain Excellence Awards | The Sustainability Award |
| • What Van? Awards | Green Fleet of the Year |
| • Logistics UK's Van Operator Awards | Best Pandemic Response |
| • Logistics UK's Van Operator Awards | Sustainable Van Operator of the Year |
| • The Logistics Leadership Awards | Green Innovation |
| • British Safety Council International Safety Awards | International Safety Award |
| • RoSPA | Health & Safety Gold Award |

Sustainability forms one of our core pillars and innovative thinking is a part of our culture. The business continues to find innovative ways to refine and streamline the way in which it works, creating smart and sustainable solutions for our customers.

As Menzies moves on through 2022 and beyond, the Group remains committed to continuous improvement, best in class service and shaping the future of sustainable supply chains.

Sustainability strategy

The business has achieved much with its environmental goals and objectives, but the Group also acknowledges that there is much yet to be done.

Going forward into 2022 and beyond, it is the business ambition to: -

- Further reduce our relative Carbon footprint in line with our net Zero Ambition.
- To set and have validated Science Based targets for our CO2 reduction.
- Implement further green/renewable energy options, continually reviewing technology as it evolves.
- Further improve our waste management, reduce landfill and increase recycling.
- Increase community engagement at our operating sites, and our fundraising and support for our charity partners.
- Meet our customers' ethical requirements.


New targets will regularly be set with the overall aim to ultimately achieving zero harm, zero waste, zero emissions.

The business believes that climate change demands urgent and universal action. Menzies is proud to have signed up to 'The Climate Pledge'.

Menzies stands with all signatories of The Climate Pledge, in a commitment to being net zero carbon by 2035 – ahead of The Paris Agreement. In addition, as a signatory of The Climate Pledge, we will: -

- Measure and report greenhouse gas emissions on a regular basis.
- Implement decarbonisation strategies through real business change and innovations, including efficiency improvements, renewable energy, materials reductions, and other carbon emission elimination strategies.
- Take actions to neutralise any remaining emissions with additional, quantifiable, real, permanent, and socially beneficial offsets to achieve net zero annual carbon emissions by 2035.

Approved by the Board and signed on its behalf

DocuSigned by:

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 PRP McCourt
 29 June 2022

Menzies Distribution Solutions Limited

Registration Number 3805401

Directors' Report

The Directors have pleasure in submitting their Directors' Report together with the audited accounts for the 53 weeks ended 1 January 2022.

The Directors who served during the period and up to the date of approving these financial statements were:

GJ Michael

PRP McCourt

Going concern

The Company's business activities, together with the key factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Company has prepared monthly budgets covering a period of twelve months from the date of approval of the financial statements. These forecasts have been tested by performing sensitivity analysis on the critical assumptions.

The Company operates within the consolidated Group's pooled cash facility under which Menzies Distribution Limited ('the Group'), a subsidiary of the Company's ultimate parent company, collects cash and makes payments on behalf of the Company and other subsidiaries in the normal course of business. As such the Directors' of the Company have made enquiries of Menzies Distribution Limited and assessed its ability to continue to operate in this manner.

The Covid pandemic has had a significant impact on parts of the Group. This generated a significant stress-test of the business model, but we are pleased to report that the Group more than coped with the challenges of that changing economic landscape. In fact, profitability was improved year on year and the Group's strong balance sheet was maintained with access to significant committed liquidity.

At the balance sheet date, the Group had net debt (being cash and cash equivalents offset with financial assets and liabilities but excluding leases) of £5.8m (26 December 2020: net cash of £11.5m). The revolving credit facility (drawn down £14m at 31 December 2021) with Royal Bank of Scotland was extended from £25m in 2021 to £39m to facilitate the repayment of £20m of shareholder debt used to fund the acquisition of Menzies Distribution Services Limited and its subsidiaries in December 2020. The Group has planned for the revolving credit facility to revert back to £25m from November 2022 by using its cash reserves. As such, the group has sufficient access to funding and headroom available within the facility for the 12-month period from the date these financial statements were approved. Consequently, the Group has a strong and robust balance sheet, underpinned by excellent cash conversion, enabling the immediate funding of future growth opportunities as they arise.

Management have therefore considered the going concern status of the Company using a variety of methods. The methodology has been consistent with that used to prepare the financial budgets. The business has assessed the conflict between Ukraine and Russia, which even though it does not have a direct impact on the Company's business, it will exert pressure on oil prices which could have an indirect impact on the Company's fuel prices but it would not be considered sufficient enough to raise concerns around going concern. On this basis, considering the continued profitability of the Group, the availability of sufficient pooled cash flow facilities and the fact that nothing else significant has changed from when we prepared our forecast projections up to when these financial statements had been approved, the Directors are satisfied that use of the going concern basis in the financial statements of the Company is appropriate.

Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

Menzies Distribution Solutions Limited

Registration Number 3805401

Directors' Report (continued)**Payment policy**

The Company does not operate a standard code in respect of payment to suppliers. Payments to suppliers are made in accordance with contractual terms, provided that the supplier has performed in accordance with all relevant terms and conditions. The Directors' duties, governance report (the Section 172 (1) statement) on page 5 contains more details with the need to foster and manage the Company's business relationships with its suppliers, customers and other stakeholders.

Dividends

The Company did not pay a dividend during the period to its parent company (2020: £Nil).

Political and charitable contributions

No political and charitable donations were made by the Company during the period (2020: £Nil).

Future developments

Warehouse occupancy from current customers is expected to grow from 2021 levels, and significant growth in the full load transport division is anticipated.

Directors' shareholdings and share interest as at 1 January 2022

Certain directors held shares in the ultimate parent company at the date of signing the financial statements. Details of the shares are set out within note 21 of these financial statements.

Employees

We recognise that our people are the driving force behind our operational achievements and the delivery of sustainable value to our shareholders. Giving our people the opportunity to learn new skills, developing them through the assumption of additional responsibilities and progression to managerial positions is critical to ensuring we have the best workforce and remain competitive in our markets. Our commitment to and investment in our people can be evidenced through, for example, our ASPIRE leadership programme.

It is essential that our people reflect the Company's corporate culture, possessing a commitment to set the highest standards, an enthusiasm for challenge and a drive to deliver results. For this reason, our preference is to build capability and promote from within Company talent pools, complementing this with selective external recruitment as and when required. We regularly review and monitor the pay and benefits offered to our employees benchmarking against competitors where appropriate and ensuring compliance with the mandatory national living wage requirements and Working Time Regulations.

To facilitate the development of an internal talent pipeline, we offer a broad range of development opportunities to our people, from on-the-job learning through to online and classroom-based courses, all of which are designed to prepare them for the daily delivery of industry-leading standards in every field of our activities.

We actively promote tolerance and diversity at every level of our business and recognise the value of a diverse workforce. We aim to create a working environment in which inclusion and acceptance are the norm and the additional needs of our people are catered for wherever possible.

Menzies Distribution Solutions Limited

Registration Number 3805401

Directors' Report (continued)**Employees (continued)**

Diversity is currently a key focus in our business and is referenced within both our people-related policies and Employee Handbook. We have a Diversity Policy which seeks to actively promote inclusion and acceptable treatment of our people on the grounds of, for example, age, disability, race, religion or belief, gender and sexual orientation. This policy encompasses all employees and extends across all our networks.

Full and fair consideration is given to all applications for employment and Company policies dictate that during the recruitment process all individuals are treated equitably, including those with disabilities. Where employees become disabled, we seek to ensure their employment can continue or alternative employment arranged whenever reasonable and practicable to do so. All employees are given the same opportunities within the Company in terms of training, career development and promotion, our policies and procedures for recruitment, training, promotion and reward promote equality of opportunity, regardless of background and personal circumstances.

In line with our desire to ensure a diverse and inclusive workforce, we are also committed to the ideal of equal pay for equal work and thus welcome the introduction of the Equality Act 2010 (Gender Pay Gap information) Regulations 2017 in the UK. We have undertaken the necessary analysis to understand the position in respect of male and female pay within the requisite entities and will publish our results as prescribed. We will monitor and investigate any gender pay gap issues identified now or in the future as a result of such analysis and seek to suitably address any gaps which may arise.

Sustainability report

The sustainability report is detailed on pages 13 to 21 of the Strategic Report contained in these financial statements.

Directors' statement as to disclosure of information to the independent auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed within the 'Corporate information' page. Each of the persons who is a Director at the date of approval of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Menzies Distribution Solutions Limited

Registration Number 3805401

Directors' Report (continued)

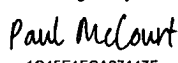
Independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditors, and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Post balance sheet events

There was no post balance sheet events to disclose.

Approved by the Board and signed on its behalf

DocuSigned by:

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PRP McCourt
29 June 2022

Menzies Distribution Solutions Limited

Registration Number 3805401

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of Menzies Distribution Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Menzies Distribution Solutions Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 1 January 2022 and of the profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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

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

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 our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the members of Menzies Distribution Solutions Limited (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's operating licence and environmental regulations.

Independent Auditor's Report to the members of Menzies Distribution Solutions Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Completeness and accuracy of revenue due to the risk that revenue is not recorded in the correct period. Our audit procedures included testing a sample of invoices from pre and post year end, and verifying these to recorded proof of delivery to ensure revenue was recorded in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:


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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the members of Menzies Distribution Solutions Limited (continued)

Use of our report

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

DocuSigned by:

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David Mitchell CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow
United Kingdom
29 June 2022

Menzies Distribution Solutions Limited

Registration Number 3805401

Income Statement

for the 53 weeks ended 1 January 2022

	Notes	1 Jan 2022 £000	26 Dec 2020 £000
Revenue	4	165,575	153,498
Cost of Sales		(138,246)	(130,013)
Gross Profit		27,329	23,485
Administrative expenses		(22,111)	(22,960)
Other operating income	5	176	1,354
Operating profit	5	5,394	1,879
Exceptional items	7	(3,323)	(1,124)
Other interest receivable and similar income	8	-	8
Interest payable and similar expenses	8	(1,395)	(459)
Profit before taxation		676	304
Taxation	9	61	(517)
Profit/(loss) for the period		737	(213)

The above results were derived from continuing operations.

No separate Statement of Comprehensive Income has been prepared as the only item in total comprehensive income for the periods is the profit/(loss) for the period, which is reported above.

Menzies Distribution Solutions Limited

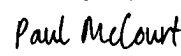
Registration Number 3805401

Balance Sheet

as at 1 January 2022

	Notes	1 Jan 2022 £000	26 Dec 2020 £000
Assets			
Fixed assets			
Intangible assets	10	-	-
Property, plant and equipment	11	8,305	9,441
Amounts owed by group undertakings	12	22,037	22,054
		30,342	31,495
Current assets			
Inventories		200	588
Trade and other receivables	13	38,246	31,853
Cash and cash equivalents		1,818	4,494
		40,264	36,935
Liabilities			
Creditors: amounts falling due within one year			
Trade and other payables	14	(33,884)	(31,074)
		(33,884)	(31,074)
Net current assets		6,380	5,861
Total assets less current liabilities		36,722	37,356
Creditors: amounts falling due after more than one year			
Trade and other payables	14	(15,439)	(16,735)
Provisions for liabilities	15	(929)	(1,004)
		(16,368)	(17,739)
Net assets		20,354	19,617
Capital and reserves			
Called-up share capital	16	-	-
Other reserves		743	743
Retained earnings		19,611	18,874
Shareholders' funds		20,354	19,617

The accounts were approved by the Board of Directors on 29 June 2022 and signed on its behalf by:

DocuSigned by:

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PRP McCourt
 Director

Menzies Distribution Solutions Limited

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Statement of Changes in Equity

for the 53 weeks ended 1 January 2022

	Called-up share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 26 December 2020	-	743	18,874	19,617
Profit for the period and total comprehensive income	-	-	737	737
At 1 January 2022	-	743	19,611	20,354

		Called-up share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2020		-	-	19,087	19,087
Loss for the period and total comprehensive expense		-	-	(213)	(213)
Share based payment transaction	6	-	743	-	743
At 26 December 2020		-	743	18,874	19,617

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Notes to the financial statements

1 Authorisation of financial statements

These financial statements for the 53 weeks ended 1 January 2022 were approved and authorised for issue in accordance with a resolution of the Directors on 29 June 2022. Menzies Distribution Solutions Limited is incorporated under the Companies Act 2006 and registered in England and Wales.

The results of Menzies Distribution Solutions Limited are included in the consolidated financial statements of Menzies Distribution Group Limited which are available from Unit E Twelvetreets Business Park, Twelvetreets Crescent, London, E3 3JG.

The principal activity of the Company is a provider of logistics and warehousing services covering the entire supply chain from delivering raw materials into manufacturing plants to working alongside customers to manage their finished product storage and distribution.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting Policies

A summary of the more significant accounting policies, which have been consistently applied, is set out below.

2.1 Basis of preparation

These financial statements were prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 as it applies to the financial statements of the Company for the period ended 1 January 2022.

The financial statements are prepared and presented in GBP which is the functional currency of the Company and rounded to the nearest £000.

Disclosure exemptions under FRS 102

The Company has taken advantage of the available exemptions to not disclose:

- a statement of cash flows;
- related party transactions;
- certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the Group in which the Company is consolidated;
- key management personnel compensation; and
- fixed asset comparatives.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.1 Basis of preparation (continued)****Going concern**

The Company's business activities, together with the key factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Company has prepared monthly budgets covering a period of twelve months from the date of approval of the financial statements. These forecasts have been tested by performing sensitivity analysis on the critical assumptions.

The Company operates within the consolidated Group's pooled cash facility under which Menzies Distribution Limited ('the Group'), a subsidiary of the Company's ultimate parent company, collects cash and makes payments on behalf of the Company and other subsidiaries in the normal course of business. As such the Directors' of the Company have made enquiries of Menzies Distribution Limited and assessed its ability to continue to operate in this manner.

The Covid pandemic has had a significant impact on parts of the Group. This generated a significant stress-test of the business model, but we are pleased to report that the Group more than coped with the challenges of that changing economic landscape. In fact, profitability was improved year on year and the Group's strong balance sheet was maintained with access to significant committed liquidity.

At the balance sheet date, the Group had net debt (being cash and cash equivalents offset with financial assets and liabilities but excluding leases) of £5.8m (26 December 2020: net cash of £11.5m). The revolving credit facility (drawn down £14m at 31 December 2021) with Royal Bank of Scotland was extended from £25m in 2021 to £39m to facilitate the repayment of £20m of shareholder debt used to fund the acquisition of Menzies Distribution Services Limited and its subsidiaries in December 2020. The Group has planned for the revolving credit facility to revert back to £25m from November 2022 by using its cash reserves. As such, the group has sufficient access to funding and headroom available within the facility for the 12-month period from the date these financial statements were approved. Consequently, the Group has a strong and robust balance sheet, underpinned by excellent cash conversion, enabling the immediate funding of future growth opportunities as they arise.

Management have therefore considered the going concern status of the Company using a variety of methods. The methodology has been consistent with that used to prepare the financial budgets. The business has assessed the conflict between Ukraine and Russia, which even though it does not have a direct impact on the Company's business, it will exert pressure on oil prices which could have an indirect impact on the Company's fuel prices but it would not be considered sufficient enough to raise concerns around going concern. On this basis, considering the continued profitability of the Group, the availability of sufficient pooled cash flow facilities and the fact that nothing else significant has changed from when we prepared our forecast projections up to when these financial statements had been approved, the Directors are satisfied that use of the going concern basis in the financial statements of the Company is appropriate.

Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.2 Summary of significant accounting policies****a) Intangible assets*****Business combinations and goodwill***

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in exceptional costs.

Goodwill acquired is recognised as an asset and reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised in the Income Statement.

b) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

c) Property, plant and equipment

Property, plant and equipment is stated at cost, including acquisition expenses, less accumulated depreciation. Depreciation is reflected within the operating profit (see Note 11) and is provided on a straight-line basis at the following rates:

Land and buildings - over the remaining lease term

Vehicles and equipment - over the estimated life of the asset between five and 20 years.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

d) Inventories

Inventories comprise of fuel and are stated at the lower of purchase cost and net relisable value.

Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.2 Summary of significant accounting policies (continued)****e) Trade and other receivables**

If there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of an invoice, a provision on the respective trade receivable is recognised. In such an instance, the carrying value of the receivable is reduced, with the amount of the loss recognised in the Income Statement.

An analysis is performed at each reporting date using a provision matrix to measure bad and doubtful debts. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and is disclosed in Note 13.

f) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at banks and on hand and short-term deposits with a maturity of 3 months or less, which are subject to an insignificant risk of changes in value.

g) Financial instruments***Financial liabilities***

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

h) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet within trade and other payables.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the financial year end which are unpaid. Trade and other payables are classified as current liabilities unless payment is not due within 12 months of the financial year end.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.2 Summary of significant accounting policies (continued)****j) Provisions**

Provisions are liabilities of uncertain timing and amount. Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

k) Taxation***Current income tax***

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised in the Income Statement except if it relates to an item recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in the Statement of Comprehensive Income respectively.

l) Called-up share capital

Ordinary shares are classed as equity.

m) Share based payments

Bibby Financial Services Limited, another group entity from before Menzies Distribution Services Limited and its two subsidiaries was acquired by Menzies Distribution Group Limited, issued shares to certain employees in the prior period and this transaction has been accounted for as a capital contribution in this Company. The shares had no vesting requirements, accordingly they vested immediately. Fair value is measured by use of market data which is considered by management to be the most appropriate method of valuation.

n) Revenue

Revenue is recognised at the time the relevant services are provided by the business to its customer.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.2 Summary of significant accounting policies (continued)****o) Government grant**

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

p) Exceptional items

Exceptional items are those material items, which, by virtue of their size or incidence, are presented separately in the Income Statement to enable a full understanding of the Company's financial performance.

Transactions which may give rise to exceptional items include restructuring of business activities (in terms of rationalisation costs and onerous lease provisions), gains or losses on the disposal of businesses, gains or losses on the disposal of property and acquisition transaction and other related costs including changes in deferred consideration.

q) Pensions

The Company operates a defined contribution pension scheme. The Income Statement charge represents contributions made and the Company has no liability other than for the payment of those contributions.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key judgements, estimates and assumptions concerning the future, and other key sources of estimation uncertainty are:

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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Notes to the financial statements (continued)**3 Significant accounting judgements, estimates and assumptions (continued)*****Judgements (continued)*****i) Provisions**

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company exercises judgement in determining whether provisions are required in relation to onerous property leases. Judgement is necessary in assessing the likelihood of whether or not an alternative use can be found for these properties or a suitable tenant can be found in order to cover the cost of the lease. This likelihood will vary depending on the size, location and type of property. See note 15 for further details.

ii) Exceptional items

Exceptional items are those material items, which, by virtue of their size or incidence, are presented separately in the Income Statement to enable a full understanding of the Company's financial performance.

Transactions which may give rise to exceptional items include restructuring of business activities (in terms of rationalisation costs and onerous lease provisions), gains or losses on the disposal of businesses, gains or losses on the disposal of property and acquisition transaction and other related costs including changes in deferred consideration. Further details are contained in Note 7.

iii) Taxation

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. Further details are contained in Note 9.

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. At present there are no material estimates to disclose.

4 Revenue

Revenue recognised in the Income Statement comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

Revenue is recognised at the time the relevant services are provided by the business to its customer.

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Notes to the financial statements (continued)

5 Operating profit

Arrived at after charging/(crediting):

	Note	1 Jan 2022 £000	26 Dec 2020 £000
Other operating income		(176)	(1,354)
Staff costs	6	52,929	52,747
Intangible amortisation	10	-	1,227
Depreciation	11	1,878	1,978
		1 Jan 2022 £000	26 Dec 2020 £000
Administrative expenses include:			
Auditor's remuneration		-	115
Operating leases and hire charges - plant and machinery		9,152	5,619
Rent of property		6,423	6,749
Loss/(profit) on disposal of property, plant and equipment		8	(27)

There were no non-audit services performed by the auditors during the financial period (2020: £Nil).

Fees in respect of the audit of the financial statements of the Company for the current period are borne by another group entity.

Other operating income relates to government grant income received for furlough.

6 Employee costs

Staff costs	1 Jan 2022 £000	26 Dec 2020 £000
Wages and salaries	47,020	46,306
Social security costs	4,783	4,521
Pension costs	1,126	1,177
Share-based payment expenses	-	743
	52,929	52,747

Share based payments relates to shares awarded to the employees as part of the sale prior to being acquired by Menzies Distribution Group Limited, which have been accounted for as a capital contribution.

The monthly average number of people employed by the Company during the period was:

	1 Jan 2022 Nos	26 Dec 2020 Nos
Management and administration	437	455
Drivers and distribution	666	654
Warehouse	242	295
	1,345	1,404

Directors' emoluments

	1 Jan 2022 £000	26 Dec 2020 £000
Aggregate remuneration in respect of qualifying services	1,433	1,311

	1 Jan 2022 Nos	26 Dec 2020 Nos
Directors accruing benefits under defined contribution schemes	-	3

	1 Jan 2022 £000	26 Dec 2020 £000
In respect of the highest paid Director:		
Aggregate remuneration	850	292

The Directors of the Company are also directors of subsidiary companies within the Menzies Distribution Group Limited group. The Directors do not believe that it is practicable to apportion the aggregate remuneration receivable between their services as directors of fellow subsidiary companies.

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Notes to the financial statements (continued)

7 Exceptional items

	Note	1 Jan 2022 £000	26 Dec 2020 £000
Integration costs	(i)	3,323	1,124

(i) Integration costs with the acquisition of Bibby Supply Chain Services ('MDS') which are non-recurring and outside the normal course of business. These include the costs of rebranding the MDS business (fleet and staff uniforms) and salary/redundancy costs, associated with employees who are no longer employed by the Company as a result of a restructure of the business as part of the integration.

8 Interest (receivable)/payable

	1 Jan 2022 £000	26 Dec 2020 £000
Finance income		
Other interest receivable and similar income	-	(8)
	-	(8)
Finance charges		
Interest on bank overdrafts and borrowings	1,085	23
Interest on obligations under finance leases	310	180
Interest on receivable financing	-	205
Interest payable on loans from group undertakings	-	51
	1,395	459
Net finance charges	1,395	451

9 Taxation

Analysis of tax (credit)/charge in the period	1 Jan 2022 £000	26 Dec 2020 £000
Current tax		
Current year corporation tax charge	-	157
Adjustments to prior period	38	-
Payable for group relief	49	-
Receivable for capital loss	(29)	-
Total current tax	58	157
Deferred Tax		
Origination and reversal of temporary difference	257	326
Adjustments to prior period	26	232
Effect of prior period rate changes	(402)	(198)
Total deferred tax	(119)	360
Total tax (credit)/charge in the income statement	(61)	517

The income tax (credit)/charge all relates to continuing operations.

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Notes to the financial statements (continued)

9 Taxation (continued)

Reconciliation of the total tax (credit)/charge

The tax (credit)/charge in the Income Statement is different to the standard rate of 19% (2020: 19%). The differences are reconciled below:

	1 Jan 2022	26 Dec 2020
	£000	£000
Profit before taxation	676	304
At UK corporation tax rate of 19%	128	58
Expenses not deductible for tax purposes	103	152
Prior period adjustments	138	-
Tax rate changes	(402)	(198)
Increase in UK and foreign current tax from unrecognised temporary difference from a prior period	-	232
Tax increase from effect of capital allowances and depreciation	-	273
Effects of group relief/ other reliefs	(28)	-
Total tax (credit)/charge reported in the Income Statement	(61)	517

Unrecognised tax losses

The Company has no unrecognised tax losses.

Change in corporation tax rate

The main rate of UK corporation tax is 19% and is legislated to increase to 25% from 1 April 2023.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 during the year and these changes are reflected within the tax figures. This included an increase to the main rate of corporation tax to 25% from 1 April 2023 and this is the rate which has been used in calculating deferred tax at the year-end. Finance Act 2022 which received Royal Assent on 24 February 2022 will not have any impact on the corporation tax figures.

Deferred tax

	1 Jan 2022	26 Dec 2020
	£000	£000
Deferred tax in the Income Statement		
(Decelerated)/accelerated capital allowances	(140)	364
	21	(4)
Deferred tax (credit)/charge	(119)	360

The deferred tax included in the Company Balance Sheet is:

	1 Jan 2022	26 Dec 2020
	£000	£000
Deferred tax asset		
Accelerated capital allowances	1,663	1,523
Other timing differences	11	32
	1,674	1,555

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets because it is probable that there will be future taxable profits available. The Company offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

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Notes to the financial statements (continued)

10 Intangible Assets

	Goodwill £000
Cost	
At 26 December 2020	14,505
At 1 January 2022	14,505
Amortisation	
At 26 December 2020	(14,505)
At 1 January 2022	(14,505)
Net book value	
At 1 January 2022	-
At 26 December 2020	-

11 Property, plant and equipment

	Land and buildings £000	Vehicles and equipment £000	Total £000
Cost			
At 26 December 2020	3,079	16,346	19,425
Additions	49	871	920
Disposals	(69)	(1,517)	(1,586)
At 1 January 2022	3,059	15,700	18,759
Depreciation			
At 26 December 2020	(1,888)	(8,096)	(9,984)
Charge for the period	(220)	(1,658)	(1,878)
Disposal release	43	1,365	1,408
At 1 January 2022	(2,065)	(8,389)	(10,454)
Net book value			
At 1 January 2022	994	7,311	8,305
At 26 December 2020	1,191	8,250	9,441

Included within the net book value of land and buildings above is £993,072 (2020: £1,191,113) in respect of short leasehold land and buildings.

Assets held under finance leases

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases:

	1 Jan 2022 £000	26 Dec 2020 £000
Vehicles	3,541	3,960
Plant and machinery	390	774
	3,931	4,734

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Notes to the financial statements (continued)

12 Amounts owed by group undertakings

	1 Jan 2022	26 Dec 2020
	£000	£000
Amounts owed by group companies	22,037	22,054
Amounts owed by group companies are interest free and repayable on demand but are intended for use on a continuing basis.		

13 Trade and other receivables

	Note	1 Jan 2022	26 Dec 2020
		£000	£000
Trade receivables		26,147	26,977
Other debtors		-	93
Prepayments and accrued income		10,425	3,228
Deferred tax asset	9	1,674	1,555
		38,246	31,853

All receivables are due within one year.

14 Trade and other payables

	Note	1 Jan 2022	26 Dec 2020
		£000	£000
Due within one year			
Loans and borrowings	17	1,072	1,388
Trade payables		13,249	12,052
Amounts owed to group companies		-	34
Social security and other taxes		2,817	2,680
Other payables		1,280	1,769
Accruals and deferred income		15,250	12,994
Income tax liability		216	157
		33,884	31,074

Due after more than one year

Loans and borrowings	17	15,439	16,735
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All payables are due within one year.

Amounts owed to group companies are interest free and payable on demand.

15 Provisions for liabilities

	1 Jan 2022	26 Dec 2020
	£000	£000
Property related provisions		
At beginning of the period	1,004	977
Provided during period	31	161
Utilised during period	(13)	(131)
Unused provision released	(93)	(3)
At end of period	929	1,004

The property related provision is in respect of properties dilapidations.

16 Called-up share capital

	1 Jan 2022	26 Dec 2020
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	2	2

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Notes to the financial statements (continued)**17 Loans and borrowings**

	1 Jan 2022	26 Dec 2020
	£000	£000
Bank borrowings	37	37
Hire purchase contracts	1,956	2,898
Amounts owed to group companies	13,446	13,800
	15,439	16,735

	1 Jan 2022	26 Dec 2020
	£000	£000
Current loans and borrowings		
Bank borrowings	-	150
Hire purchase contracts	1,072	1,238
	1,072	1,388

18 Obligations under finance leases

The company has leased vehicles and racking on leases which are considered to meet the definition of finance leases and are accounted for accordingly.

The total future minimum lease payments is as follows:

	1 Jan 2022	26 Dec 2020
	£000	£000
No later than one year	1,072	1,238
Later than one year and not later than five years	749	1,101
Later than five years	1,207	1,797
	3,028	4,136

Operating leases

The total future minimum lease payments is as follows:

	1 Jan 2022	26 Dec 2020
	£000	£000
No later than one year	15,850	14,611
Later than one year and not later than five years	36,905	36,131
Later than five years	18,724	18,733
	71,479	69,475

The amount of non-cancellable operating lease payments recognised as an expense during the period was £15,575k (2020: £12,368k).

19 Capital commitments

The total amount contracted for but not provided in the financial statements was £686k (2020: £151k).

20 Contingent liabilities

There are no contingent liabilities in the normal course of business which are expected to give rise to any significant loss to the Company (2020: £Nil).

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Notes to the financial statements (continued)

21 Related party transactions

During the period the Company transacted with related parties in the normal course of business on an arm's length basis. The Company has taken advantage of the exemption under FRS 102 paragraph 33.1A not to disclose transactions with fellow owned subsidiaries.

	(Charged by)/Sales to related party £m	Amounts owed by related party £m	Amounts owed to related party £m
2021 - Endless LLP	2,269	-	-
2020 - Endless LLP	58	-	-

Endless LLP related party items are in respect of redemption fee, granting of loan notes and relevant loan arrangement fees.

Directors' shareholdings and share interest in the ultimate parent company as at 1 January 2022

Name	1 Jan 2022		26 Dec 2020	
	Number of shares owned	% shareholding	Number of shares owned	% shareholding
GJ Michael B ordinary shares	504	0.5%	583	0.6%
GJ Michael C1 ordinary shares	4,538	4.4%	5,250	5.2%
PRP McCourt B ordinary shares	360	0.3%	417	0.4%
PRP McCourt C1 ordinary shares	3,242	3.2%	3,750	3.7%

22 Ultimate parent

The Company's immediate parent undertaking is Menzies Distribution Services Limited whose immediate parent undertaking is Menzies Distribution Holdings Limited whose parent undertaking is Menzies Distribution Group Limited, all with a registered office of Unit E, Twelvetreets Business Park, Twelvetreets Crescent, London, E3 3JG. The ultimate controlling party is Endless IV (GP) LP, registered office 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ. The Company is included within the Group accounts of Menzies Distribution Group Limited which are publicly available, and are the smallest and largest group of companies in which the company is being consolidated.

23 Post balance sheet events

There was no post balance sheet events to disclose.