

PALLETFORCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



PALLETFORCE LIMITED

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PALLETFORCE LIMITED

COMPANY INFORMATION

Directors	H B Zarin - Chairman M W Tapper - Chief Operating Officer S J Back D I Breeze D Holland D J Hughes S R Pearson
Company secretary	M Davies

Registered office	Callister Way Centrum West Burton upon Trent Staffordshire DE14 2SY
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Auditors	BDO LLP 55 Baker Street London W1U 7EU
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PALLETFORCE LIMITED

CHIEF OPERATING OFFICER'S STATEMENT

Introduction

Palletforce Limited has continued to deliver year-on-year revenue growth. The business model was further tested and Palletforce's historic investment in warehouse capacity, full replacement of the fork lift truck fleet with the latest energy efficient equipment together with IT and technology, ensured it not only remained fully operational but once again delivered record distribution volumes.

This second year the impact of the COVID-19 pandemic created further challenges to the supply chain which were met once again with resilience and a continual focus on quality and customer care throughout the organisation. The partnership we have between our members and Palletforce continued to strengthen and is the solid foundation on which we will continue to grow.

European markets experienced forced changes to our operations with the exit of the EU taking place at the start of this financial year and the company successfully changed its operations to manage this change including the Northern Ireland surprise addition to this export/import change.

Safety of employees and visiting drivers is always at the forefront of our operational standards and continued to be a central focus despite the further added challenges of the pandemic. Our commitment to the well being and safety of our colleagues saw us once again receive our 13th Gold RoSPA award in recognition of the health and safety culture we have throughout Palletforce to ensure the safe operation of our colleagues and customers.

As part of global logistics and technology provider EV Cargo, Palletforce will continue to leverage commercial opportunities for its members/customers and reinvest profits to deliver sustained future growth.

Business Performance - Trading this year was 12 months to 31 December 2021

In the year revenue for Palletforce Limited increased by £10.5 million to £147.1 million (2020: £136.6 million) and operating underlying EBITDA was £10.2 million (2020: £12.2 million) reflecting an operating EBITDA margin of 6.9% (2020: 9.0%). Operating profit before interest and tax was £9.3 million (2020: £11.2 million) which represents an operating margin of 6.3% (2020: 8.2%).

The revenue increase in 2021 was due to growth in UK pallet volumes, further increase in online commerce and growth in our corporate accounts and working with our sister companies trading in the EV Cargo Group. This was also boosted by additional network input from membership growth and an increase of +9.8% in volumes with 3 less working days.

Successful Business Model

With the challenges posed by the second wave of COVID-19 and Europe changes, the Palletforce business was exposed to a volume surge during quarter 2 of 2021. Decisive management to mitigate the impact on the business, along with the introduction of a range of health and safety measures, strict controls and testing disciplines, kept employees safe in their role as keyworkers and the business fully operational during COVID restrictions.

The agility of the Palletforce network was pivotal in maintaining the UK's supply chain to ensure critical PPE, medical supplies and everyday essentials were delivered. Palletforce offered an unprecedented range of business support measures to members and joined a national partnership with major supermarkets to redistribute food to charities such as FareShare, the Trussell Trust, local foodbanks and community groups.

Palletforce's ability to successfully navigate the challenges was down to its historic investments throughout the network and the use of innovative technology which enabled contactless deliveries and ensured a quality service. But, most of all, it was the sheer hard work, determination and commitment of Palletforce employees and its individual member companies which delivered success. By working together and for each other, the network remained fully operational to ensure essential freight was delivered and member businesses supported throughout the pandemic.

Not only did Palletforce see off the challenges of COVID-19, but its robust business model was the perfect platform to support the recovery of the UK economy by providing a cost-effective, scalable and sustainable distribution service capable of handling fluctuating volumes and supporting reopening of the manufacturing, construction and hospitality industries.

PALLETFORCE LIMITED

CHIEF OPERATING OFFICER'S STATEMENT (CONTINUED)

Long-Term Network Investment and Service Goals

The continued generation of cash to enable long-term reinvestment across the network is a key focus for Palletforce and this continues to benefit its members and customers.

The Hub investment creates significant gains over our competition including long-term capacity to enable growth and the provision of market-leading services. Investment in our people continues and never has there been a more important time where this has proven to be valued as an asset.

We will continue our investment in pioneering technology. Palletforce was first to market with artificial intelligence technology and our Pallet selfie and ePOD2 technology allows members to offer the best possible technology-led services to their customers.

Promoting a positive, inclusive and diverse culture at all levels of the business, we continue to invest in corporate sustainability and, as part of EV Cargo, have signed up to the UN Global Compact and its sustainable development goals.

The Future

Caution remains on any future disruption, be it, inflation, fuel and energy pricing and shortages in the supply chain. HGV driver availability and supply issues caused by conflict and uncertain economy. The SuperHub will continue to operate to the highest COVID and safety standards.

Palletforce will continue to deliver on its strategy of sustained and controlled quality growth, through innovation, technology and leveraging commercial opportunities from across the wider EV Cargo global business. Volumes during the current trading period will see Palletforce focusing on value over volume, which will ensure the long-term continued success of this company.

Palletforce continues to enforce several financial, safety and operational measures to mitigate the associated risks, protect the business and most importantly remain close and to support its members.

I am proud to report another strong year and would like to thank our entire membership, suppliers' and employees for their efforts during this tough trading period.

By order of the board



Mark Tapper
Chief Operating Officer

PALLETFORCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is to maintain and manage a UK-wide and linked European distribution network for palletised goods together with the operation of a national sortation hub. As a logistics network for the distribution of palletised goods, the company focuses on providing high quality services for its members' and corporate accounts further enhancing a well reputed brand in the market.

The company is part of EVCH UK Limited Group (EV Cargo), a leading global freight forwarding and supply chain services provider with operations in 22 countries worldwide. EV Cargo manages supply chains for the world's leading brands, underpinned by its core values of growth, innovation and sustainability. The company is part of the Express operating division of EV Cargo.

Fair review of the business

The company invested in additional space capacity to manage the next 5 years of growth and it operates two similar size units on a 38 acre site in Burton. This provides capacity to grow both organically and to add new business and continue the successful growth over the last three years.

The team is an important and central dynamic at Palletforce and people are at the heart of the business in everything it does, ensuring that the high service standards set are delivered in full.

Technology as outlined in the Chief Operating Officer's Statement on pages 2 and 3 is a core component of our strength to outperform competitors and the technology development and support is a vital service differentiator and all the necessary components to provide 100% service levels are what Palletforce strives to supply.

Principal risks and uncertainties

The general business environment in which Palletforce operates continues to be challenging and there continues to be uncertainty as to the long term growth of the UK and Europe economies. The Covid-19 pandemic across Europe and the UK brought new challenges and as a result, the directors are aware that any plans for future development may be subject to unforeseen events out of our control.

The trading of the business continues to be positive and the cash position remains strong. The healthy cash position allows the directors to have flexibility to further grow the business profitably and to be able to respond to market conditions and opportunities as they arise.

The directors consider that the company has some exposure to market prices and recognises that inflationary pressures will be a factor to anticipate and manage for the future.

Financial risk management:

The company's principal financial instruments comprise bank loans, group indebtedness, debtors and creditors as described below and other corporate account debtors and supplier terms.

Credit risk – arises principally from our members and corporate accounts. The company operates a self-billing invoicing system for the members of our network, whereby the inter-network trading transactions (accounts receivable and payable) are offset against each other and the net balances are settled at the end of each trading period. Credit limits are closely monitored and trading relationships with the members and customers are closely managed.

Liquidity/debt service – this aspect is managed very closely by the directors through a tightly controlled cash management process and a weekly risk meeting.

Interest rate risk – the exposure to the risk in market interest rate changes relate to debt obligations with a floating interest rate.

Foreign currency risk – transaction exposure is limited since each transaction is carried out in the company's functional currency and is deemed to be a low risk.

Section 172(1) statement

This section serves as our Section 172 statement and should be read in conjunction with the whole Strategic Report.

S172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making.

PALLETFORCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

The directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the company for the benefit of its shareholders as a whole and in doing so are required to have regard for the following:

- the likely long term consequences of any decision;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers (also referred to as members) and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the company.

The directors continue to recognise the importance of giving due consideration to the interests of the company's employees and other stakeholders, including the impact of its activities on the community, the environment and the company's reputation, when making decisions.

The Board considers that its major stakeholders are its employees, customers, lenders and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's group discussions. Engaging with our stakeholders, including shareholders, suppliers, members, customers and employees, strengthens our relationships and helps the Board to understand the issues that matter most to them and our business and enables us to make better business decisions and deliver on our commitments. Feedback from our stakeholders is continually monitored and reviewed by the Board with appropriate actions taken as necessary.

The Board maintains a strong and good relationship with the company's employees. The Board has constructive dialogue with employees through the executive directors and members of the senior management team. Appropriate remuneration and incentive schemes including bonuses and commissions are implemented to align employees' objectives with those of the company.

The Board aims to lead by example and do what is in the best interests of the company. Our culture is collaborative, with employees from across the business encouraged to work closely together, value the contribution that each person makes and always act in the best interests of the customer and members.

The Board ensures that the company maintains good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms. Major customers and members are engaged with regularly. The Board receives regular reports on progress with customer relationships to ensure that their decision making takes into account the needs of the customer base.

The Board recognises that the company has a duty to be responsible and is conscious that its business processes minimise harm to the environment, and that it contributes as far as is practicable to the local communities in which it operates.

The Board recognises the importance of maintaining high standards of business conduct. The company operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints which all employees are aware of.

The Board aims to maintain good relationships with its shareholders and treats them equally. The company communicates with shareholders through monthly Board meetings, the annual report and financial statements, and one-to-one meetings.

The Board receives regular updates on the views of stakeholders through briefings and reports from other members of the Board. The company regularly seeks feedback from employees through a number of mechanisms, including a question/feedback email platform directly addressing the CEO of EV Cargo. This information is used to improve service in general as well as addressing any arising issues or concerns.

PALLETFORCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Engagement with suppliers, customers (members) and other relationships

Customers:

The company's mission is to 'Manage supply chains for the world's leading brands' and to this end, communication and engagement with customers is critical. Customers data is collected on an ongoing basis via various means and regular customer reports are produced for management and are regularly shared with directors. The company has dedicated Business Development teams to actively engage with existing and prospective customers.

Suppliers:

The company works closely with our suppliers on whom we depend to help us deliver the services we offer our customers. The company works with a large number of suppliers who vary vastly in size. Working in partnership with these suppliers, the company aims to ensure that our values and principles are upheld.

Approved by the Board on 30/09/22 and signed on its behalf by:



S J Back
Director

PALLETFORCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors of the company

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

H B Zarin - Chairman

M W Tapper - Chief Operating Officer

S J Back

D I Breeze

D Holland

D J Hughes

S R Pearson

A R Leonard (resigned 14 March 2022)

M Conroy (resigned 14 October 2021)

Financial instruments

Disclosures concerning financial instruments are set out in the 'Principal risks and uncertainties' paragraph in the Strategic Report on page 4.

Future developments

Future developments are covered in the Chief Operating Officer's Statement on pages 2 and 3.

Going concern

The directors have a reasonable expectation that the company has the resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Thus it continues to adopt the going concern assumption in preparing the annual financial statements. Further details regarding the going concern basis can be found in note 2 to the financial statements.

Carbon & energy report

Information concerning carbon & energy matters, including emissions, energy consumption & intensity metrics, relating to the company are disclosed on a group basis in the directors' report contained in the annual report and consolidated financial statements of EVCH UK Limited, the most senior parent preparing consolidated financial statements.

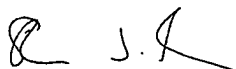
Disclosure of information to the auditors

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

Reappointment of auditors

The auditors BDO LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 30/04/22 and signed on its behalf by:



S J Back
Director

PALLETFORCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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.

PALLETFORCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLETFORCE LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Palletforce Limited ('the Company') for the year ended 31 December 2021, which comprise the the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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 were 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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLETFORCE LIMITED
(CONTINUED)**

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was 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 framework 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 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.

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.

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 judgments made in 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 misstatements due to fraud;
- enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and

PALLETFORCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLETFORCE LIMITED (CONTINUED)

- reading minutes of meetings of those charged with governance.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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:

Alexander Tapp

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Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 30 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PALLETFORCE LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £ 000	2020 £ 000
Turnover	3	147,132	136,638
Cost of sales		<u>(122,628)</u>	<u>(112,299)</u>
Gross profit		24,504	24,339
Administrative expenses		(15,523)	(13,345)
Other operating income	4	<u>327</u>	<u>157</u>
Operating profit	5	9,308	11,151
Interest payable and similar charges	6	<u>(288)</u>	<u>(402)</u>
Profit before tax		9,020	10,749
Taxation charge	10	<u>(1,895)</u>	<u>(1,440)</u>
Profit for the financial year		<u><u>7,125</u></u>	<u><u>9,309</u></u>

The above results were derived from continuing operations.

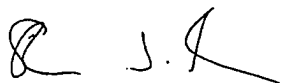
The company has no other comprehensive income for the year.

PALLETFORCE LIMITED

(REGISTRATION NUMBER: 04088035)
BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	<u>1,428</u>	<u>1,762</u>
		<u>1,428</u>	<u>1,762</u>
Current assets			
Stocks	13	20	3
Debtors	14	46,331	29,942
Cash at bank and in hand		<u>5,606</u>	<u>7,758</u>
		51,957	37,703
Creditors: Amounts falling due within one year	15	<u>(40,004)</u>	<u>(33,192)</u>
Net current assets		<u>11,953</u>	<u>4,511</u>
Total assets less current liabilities		13,381	6,273
Deferred tax liabilities	10	-	(17)
Net assets		<u>13,381</u>	<u>6,256</u>
Capital and reserves			
Called up share capital	18, 19	1,095	1,095
Share premium reserve	19	1,223	1,223
Capital redemption reserve	19	238	238
Profit and loss account	19	<u>10,825</u>	<u>3,700</u>
Total equity		<u>13,381</u>	<u>6,256</u>

Approved and authorised by the Board on 30/09/22 and signed on its behalf by:



S J Back
 Director

PALLETFORCE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	1,095	1,223	238	3,700	6,256
Profit for the year	-	-	-	7,125	7,125
At 31 December 2021	<u>1,095</u>	<u>1,223</u>	<u>238</u>	<u>10,825</u>	<u>13,381</u>

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	1,095	1,223	238	16,017	18,573
Profit for the year	-	-	-	9,309	9,309
Dividends	-	-	-	(21,626)	(21,626)
At 31 December 2020	<u>1,095</u>	<u>1,223</u>	<u>238</u>	<u>3,700</u>	<u>6,256</u>

The notes on pages 15 to 27 form an integral part of these financial statements.

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 General information

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

The address of its registered office is:

Callister Way
Centrum West
Burton upon Trent
Staffordshire
DE14 2SY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest £1,000.

Summary of disclosure exemptions

Palletforce Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in its financial statements.

Exemptions have been taken in the company's financial statements in relation to financial instruments and presentation of a statement of cash flows.

Name of parent of group

These financial statements are consolidated in the financial statements of EVCH UK Limited.

The financial statements of EVCH UK Limited may be obtained from the company's registered office.

Going concern

Going concern was challenged during COVID-19 and the business model was severely tested. The business proved to be robust and resilient in managing sizable volume decline impacts and the complexity associated with it and to a lesser degree the same was true of Brexit.

Palletforce has continued to enforce several financial, safety and operational measures to mitigate the ongoing risks to protect the business and to ensure that it remains viable and continues to trade successfully.

The company is party to the financing arrangements of the group which includes cross guarantees across the Palletforce companies (Palletforce Holdings Limited and Forcefield Bidco Limited). As a result the directors have considered the facilities and forecasts of the group when assessing the ability of the company to continue to trade.

The directors have prepared forecasts for the group for a period extending over one year from the signing of these financial statements. The forecast show that the group has sufficient headroom within the current facilities to arrange for settlement of its debts in an orderly manner. On this basis the directors have prepared the financial statements on a going concern basis.

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

No significant judgements have been made by management in preparing these financial statements.

Key sources of estimation uncertainty

No key sources of estimation uncertainty have been identified by management in preparing these financial statements other than those detailed in these accounting policies.

Revenue recognition

Turnover represents the value, net of value added tax, transportation and logistics services provided during the period.

Network fees:

Network fees relate to the charge applied per pallet for utilising the network. Revenue is recognised on the distribution of palletised goods through the Company's hub and depot infrastructure.

Strategic and national sales:

Strategic and National Sales relates to revenue received in respect of national and international sales made with third parties, other than directly made with Network Members, inclusive of a small element of storage income. Revenue is recognised on the distribution of palletised goods through the hub and depot infrastructure.

Network turnover:

Network turnover relate to the charge applied per pallet for transportation around the network and to the end delivery point. Revenue is recognised on the distribution of palletised goods through the hub and depot infrastructure.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 Accounting policies (continued)

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

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

Tangible assets

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

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

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

Asset class	Depreciation method and rate
Short leasehold property	2 - 4 years straight line
Plant and machinery	3 - 4 years straight line
Fixtures and fittings	3 - 4 years straight line
Computer hardware	3 - 5 years straight line

Intangible assets

Separately acquired intangible assets are included at cost and amortised over their estimated useful economic life. Provision is made for any impairment.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Computer software	2 - 3 years straight line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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.

Share capital

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

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

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

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(CONTINUED)**

2 Accounting policies (continued)

Financial instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021	2020
	£ 000	£ 000
Network Turnover	104,170	97,611
Network Fees	28,359	25,569
Strategic and National sales	12,764	11,818
Additional charges	1,839	1,640
	<u>147,132</u>	<u>136,638</u>

The above represents the rendering of services.

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

	2021	2020
	£ 000	£ 000
United Kingdom	145,501	133,621
Europe	1,631	3,017
	<u>147,132</u>	<u>136,638</u>

4 Other operating income

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

	2021	2020
	£ 000	£ 000
Administrative recharges	140	92
Rental income	187	65
	<u>327</u>	<u>157</u>

Administrative recharges relate to the usage of central resources throughout the network, which are purchased by the company and recharged to network members.

5 Operating profit

Arrived at after charging/(crediting):

	2021	2020
	£ 000	£ 000
Depreciation expense	848	1,088
Foreign exchange losses	-	4
Operating lease expense - plant and machinery	925	830
Operating lease expense - property	<u>3,551</u>	<u>3,205</u>

6 Interest payable and similar expenses

	2021	2020
	£ 000	£ 000
Interest on bank overdrafts and borrowings	8	121
Interest expense on other finance liabilities	<u>280</u>	<u>281</u>
	<u>288</u>	<u>402</u>

Interest expense on other financial liabilities represents amounts payable to group undertakings for management charges.

PALLETFORCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(CONTINUED)**

7 Staff costs

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

	2021	2020
	£ 000	£ 000
Wages and salaries	7,138	6,285
Social security costs	705	731
Pension costs, defined contribution scheme	258	252
	<u>8,101</u>	<u>7,268</u>

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

	2021	2020
	No.	No.
Distribution	128	124
Administration	50	50
Management	18	26
Executive directors	7	7
	<u>203</u>	<u>207</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021	2020
	£ 000	£ 000
Remuneration	1,512	1,256
Contributions paid to money purchase schemes	151	152
	<u>1,663</u>	<u>1,408</u>

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

	2021	2020
	No.	No.
Accruing benefits under money purchase pension scheme	<u>6</u>	<u>6</u>

In respect of the highest paid director:

	2021	2020
	£ 000	£ 000
Remuneration	394	320
Company contributions to money purchase pension schemes	<u>33</u>	<u>27</u>

9 Auditors' remuneration

	2021	2020
	£ 000	£ 000
Audit of the financial statements	<u>70</u>	<u>35</u>

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

10 Taxation

Tax charged/(credited) in the profit and loss account

	2021	2020
	£ 000	£ 000
Current taxation		
UK corporation tax	1,703	2,202
UK corporation tax adjustment to prior periods	259	(693)
	<u>1,962</u>	<u>1,509</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(74)	(79)
Arising from changes in tax rates and laws	(7)	10
Arising from adjustments in respect of prior periods	14	-
Total deferred taxation	<u>(67)</u>	<u>(69)</u>
Tax charge in the profit and loss account	<u><u>1,895</u></u>	<u><u>1,440</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021	2020
	£ 000	£ 000
Profit before tax	<u>9,020</u>	<u>10,749</u>
Corporation tax at standard rate	1,714	2,042
Effect of expense not deductible in determining taxable profit	71	81
Increase/(decrease) in UK and foreign current tax from adjustment for prior periods	259	(690)
Tax decrease arising from group relief	(156)	-
Deferred tax (credit)/expense relating to changes in tax rates or laws	(7)	10
Deferred tax expense from adjustments to prior periods	14	-
Other tax effects for reconciliation between accounting profit and tax expense	-	(3)
Total tax charge	<u><u>1,895</u></u>	<u><u>1,440</u></u>

A reduction in the UK corporation tax rate to 17% from April 2020 was substantively enacted in September 2016, although this was subsequently reversed and enacted in March 2020 with the UK corporation tax rate remaining at 19%. In March 2021 further changes to the UK corporation tax rate were announced by the Chancellor of the Exchequer, including an increase in the main rate of corporation tax to 25% from April 2023, which was substantively enacted in May 2021. The enacted rates at the balance sheet date have been appropriately reflected in the calculation of deferred tax in the company's financial statements.

PALLETFORCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(CONTINUED)**

10 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

2021

**Asset
£ 000**

Difference between accumulated depreciation and amortisation and capital allowances
Other short term timing differences

(33)
82
49

2020

**Liability
£ 000**

Difference between accumulated depreciation and amortisation and capital allowances
Other short term timing differences

34
(17)
17

11 Intangible assets

**Computer
software
£ 000**

Cost

At 1 January 2021

911

At 31 December 2021

911

Amortisation

At 1 January 2021

911

At 31 December 2021

911

Carrying amount

At 31 December 2021

-

At 31 December 2020

-

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

12 Tangible assets

	Land and buildings £ 000	Plant and machinery £ 000	Fixtures and fittings £ 000	Computer hardware £ 000	Total £ 000
Cost					
At 1 January 2021	1,610	264	422	6,072	8,368
Additions	-	-	-	514	514
At 31 December 2021	<u>1,610</u>	<u>264</u>	<u>422</u>	<u>6,586</u>	<u>8,882</u>
Depreciation					
At 1 January 2021	986	236	348	5,036	6,606
Charge for the year	75	22	26	725	848
At 31 December 2021	<u>1,061</u>	<u>258</u>	<u>374</u>	<u>5,761</u>	<u>7,454</u>
Carrying amount					
At 31 December 2021	<u>549</u>	<u>6</u>	<u>48</u>	<u>825</u>	<u>1,428</u>
At 31 December 2020	<u>624</u>	<u>28</u>	<u>74</u>	<u>1,036</u>	<u>1,762</u>

Included within the net book value of land and buildings above is £549,000 (2020 - £624,000) in respect of short leasehold land and buildings.

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13 Stocks

	2021 £ 000	2020 £ 000
Raw materials	<u>20</u>	<u>3</u>

14 Debtors

	2021 £ 000	2020 £ 000
	Note	
Trade debtors	13,642	14,122
Amounts owed by related parties	30,370	15,284
Other debtors	131	33
Prepayments	1,235	503
Deferred tax assets	10 49	-
Corporation tax asset	904	-
Total current trade and other debtors	<u>46,331</u>	<u>29,942</u>

The carrying amount of trade debtors pledged as security for liabilities amounted to £8,511,000 (2020 - £7,473,000). Trade debtors have been pledged as security for the company's other borrowings.

15 Creditors

	2021 £ 000	2020 £ 000
	Note	
Due within one year		
Loans and borrowings	16 6	7
Trade creditors	12,400	12,821
Amounts due to related parties	13,155	10,237
Social security and other taxes	1,225	1,925
Other creditors	1,061	681
Accrued expenses	8,458	6,569
Corporation tax liability	3,699	952
	<u>40,004</u>	<u>33,192</u>

16 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Other borrowings	<u>6</u>	<u>7</u>

Other borrowings

Other borrowings are secured by fixed and floating charges over the assets of the company and its parent companies. The borrowings impose a negative pledge which prohibits the company and parent companies from creating any security interests over the property pledged as security.

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

17 Pension and other schemes

Defined contribution pension scheme

The company operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the company to the schemes and amounted to £258,000 (2020 - £252,000).

18 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
1,095,144 Ordinary shares of £1 each	<u>1,095</u>	<u>1,095</u>	<u>1,095</u>	<u>1,095</u>

19 Reserves

Called up share capital:

Represents the issued equity share capital of the company.

Share premium reserve:

Represents the aggregate net proceeds less nominal value of shares on issue of the company's equity share capital.

Capital redemption reserve:

Represents the nominal value of the equity share capital of the company when shares are repurchased or cancelled.

Profit and loss account:

Represents cumulative profits or losses, net of dividends paid and other adjustments.

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£ 000	£ 000
Not later than one year	4,012	3,765
Later than one year and not later than five years	15,210	13,064
Later than five years	<u>28,621</u>	<u>29,896</u>
	<u>47,843</u>	<u>46,725</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,476,000 (2020 - £4,035,000).

21 Dividends

	2021	2020
	£ 000	£ 000
Interim dividends paid	<u>-</u>	<u>21,626</u>

PALLETFORCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

22 Financial guarantee contracts

The company is party to a financial guarantee contract in relation to the bank borrowings of its parent companies, which at 31 December 2021 amounted to £18,300,000. These bank borrowings are secured by a fixed and floating charge over the assets of the company and its parent companies and imposes a negative pledge which prohibits the company and its parent companies from creating any security interests over the property pledged as security.

23 Parent and ultimate parent undertaking

The company's immediate parent is Forcefield Bidco Limited, incorporated in England & Wales. The ultimate parent is Billion Venture Group Limited, incorporated in the British Virgin Islands. The most senior parent entity producing publicly available financial statements is EVCH UK Limited, being both the parent of the smallest and largest group in which these financial statements are consolidated. These financial statements are available upon request from Phoenix House, Oxford Road, Gerrards Cross, Buckinghamshire, SL9 7AP. The ultimate controlling party is Mr H Zarin.