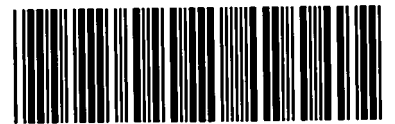


Registration number: 04088035 (England & Wales)

**PALLETFORCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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## **PALLETFORCE LIMITED**

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## **PALLETFORCE LIMITED**

### **COMPANY INFORMATION**

|                          |  |
|--------------------------|--|
| <b>Directors</b>         | H B Zarin - Chairman<br>M W Tapper - Chief Executive Officer<br>D I Breeze<br>D Holland<br>D J Hughes<br>S R Pearson |
| <b>Company secretary</b> | M Davis  |

|                          |   |
|--------------------------|---|
| <b>Registered office</b> | Callister Way<br>Centrum West<br>Burton upon Trent<br>Staffordshire<br>DE14 2SY |
|--------------------------|---|

|                            |   |
|----------------------------|---|
| <b>Independent auditor</b> | PricewaterhouseCoopers LLP<br>Donington Court<br>Pegasus Business Park<br>Castle Donington<br>East Midlands<br>DE74 2UZ |
|----------------------------|---|

## **PALLETFORCE LIMITED**

### **CHIEF EXECUTIVE OFFICER'S STATEMENT**

#### **Introduction**

Palletforce Limited delivered robust financial performance in 2022 despite high inflation and macroeconomic slowdown. 2022 saw a record number of new members signing up to join Palletforce, which will considerably strengthen network post code coverage and reduce operating costs as well as bringing meaningful new input volume. The business model was further tested and proven to be absolutely resilient in spite of sector and market pressures globally and domestically within the UK. Continued investment in the latest energy efficient equipment as part of our firmly embedded sustainability agenda, together with IT and technology has ensured we once again provided innovation and sector leading service.

This exiting year of 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 expanding membership within the network saw yet more quality transportation businesses choosing to join our organisation based on the consistency and solid financial position that Palletforce provides in this period of fiscal uncertainty. Palletforce continued to grow its membership which will provide continued volume growth and further confirm our position as the market leader in the sector.

Safety of employees and visiting drivers is always at the forefront of our operational standards and continued to be our fundamental and foremost objective throughout the business. Our commitment to the wellbeing and safety of our colleagues saw us once again receive our 15th 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 has continued to work collaboratively with its group affiliates providing revenue and cost efficiencies for Palletforce and its members.

#### **Business Performance**

In the year, turnover for Palletforce Limited decreased by £4.3 million to £142.8 million (2021: £147.1 million) and operating underlying EBITDA (earnings before interest, taxes, depreciation and amortisation) was £7.0 million (2021: £10.2 million) reflecting an operating EBITDA margin of 4.9% (2021: 6.9%). Operating profit was £6.4 million (2021: £9.3 million) which represents an operating margin of 4.5% (2021: 6.3%). EBITDA pre corporate recharges was £11.7 million (2021: £12.9 million).

The turnover decrease in 2022 was due to the decline in UK pallet volumes after the sharp increase in the prior year post COVID-19 lockdowns. Volumes were down 9.4% and this included 2 additional bank holidays, however, our market share increased during the year. Further growth was seen in our corporate accounts and Palletforce will continue to work closely with other companies trading in the EV Cargo Group.

#### **Successful Business Model**

With a strong and very stable management team exhibiting a decisive management approach we have dealt with the market pressures to grow our market share in a tough trading environment as the global economy has contracted.

The model is the perfect platform to support the recovery of the UK economy by providing a cost-effective, scalable and ever more sustainable distribution network capable of handling fluctuating volumes and supporting the volatility of customer activity particularly in the manufacturing, construction and hospitality industries.

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.

#### **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 will see continued investment in the membership as pressures on the logistics sector continue.

Investment in our people continues and never has there been a more important time where this has proven to be valued as an asset. The stability of the management team is paramount in maintaining the consistency of service and approach as we navigate sector pressures.

## **PALLETFORCE LIMITED**

### **CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)**

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. Further operational enhancements particularly around EV Scope our carbon calculation tool has been invaluable as the sustainability targets our customers demand are supported.

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 and Sustainability**

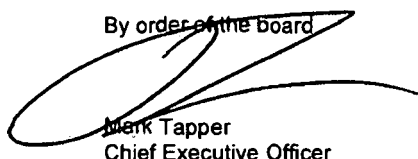
Caution remains on any future disruption, be it, inflation, fuel and energy pricing and shortages in the supply chain. HGV driver availability and supply issues caused by conflict and uncertain economy will continue but the Palletforce model is resilient, scalable and provides an alternative distribution platform to mitigate the effects of these industry issues.

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. Palletforce continues to focus on high quality services for its members, 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.

We are very proud to report another strong year based on service and the quality of our membership in particular, alongside our suppliers' and hugely dedicated employees for their efforts during this tough trading period.

By order of the board



Mark Tapper  
Chief Executive Officer

## **PALLETFORCE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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

#### **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 EV Cargo Group, a leading global freight forwarding and supply chain services provider with operations in 25 countries worldwide. EV Cargo Group manages supply chains for the world's leading brands, underpinned by its core values of growth, innovation and sustainability. EV Cargo's vision is to transform logistics into a technology industry by driving the digitalisation of global supply chains.

The Company is part of the road freight segment for the EV Cargo Group. This part of the business involves the door-to-door movements of shipments, where we operate solutions for less-than-truckload (LTL). Operating under the Palletforce brand, we have one of the leading UK LTL road freight networks, providing daily deliveries of palletised freight to every UK postcode. Our LTL network is underpinned by our industry-leading central pallet sortation Super Hub in Burton on Trent in the UK.

#### **Business review and future developments**

The road freight market in the UK saw demand softening across the board in the second half of 2022 as high inventory levels and reduced consumer confidence impacted on customer volumes.

In 2022, the palletised LTL road freight sector in the UK saw its first year on year volume decline since 2009, even the pandemic impacted 2020 saw year on year volume growth overall, with volumes dropping by around 10% versus what was a particularly buoyant 2021. In spite of the reduced volumes, LTL operators generally managed to maintain average selling prices across the sector as they focused on service quality and consistency and continued to invest in capacity. Despite much conjecture across the sector, no further consolidation amongst the main seven network operators occurred during 2022, ensuring competitive rivalry for both volume and members remained high.

In EV Cargo's LTL road freight network, 2022 saw a record number of new members signing up to join Palletforce, which will considerably strengthen network post code coverage and reduce operating costs as well as bringing meaningful new input volume. At the end of 2022, EV Cargo completed a strategic acquisition to further strengthen network coverage, specifically in East Sussex, an area where most of our competitors struggle with delivery capacity and service consistency. Dobbs Logistics is a leading pallet network operator based in St Leonards with a strong reputation in the market for service quality and capability, and its acquisition and subsequent integration will enable Palletforce to re-mix and substantially upgrade its delivery arrangements in the area. The acquisition is another example of EV Cargo delivering against its strategy to have the best member in each post code in its Palletforce LTL network.

#### **Financial review**

The Company delivered robust financial performance in 2022 despite high inflation and a macroeconomic slowdown.

The directors consider that the key performance indicators for the management of the Company are:

|  | <b>Unit</b> | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|-------------|
| Turnover                                     | £ 000       | 142,849     | 147,132     |
| Gross profit                                 | £ 000       | 22,732      | 24,504      |
| Gross profit margin                          | %           | 16          | 17          |
| Operating profit/ EBIT                       | £ 000       | 6,364       | 9,308       |
| Operating profit before depreciation/ EBITDA | £ 000       | 6,996       | 10,156      |
| EBITDA pre corporate recharges               | £ 000       | 11,676      | 12,853      |

EBIT represents earnings before interest and taxes. EBITDA represents earnings before interest, taxes, depreciation and amortisation.

The turnover decrease in 2022 was due to the decline in UK pallet volumes after the sharp increase in the prior year post COVID lockdowns. Volumes were down 9.4% and this included 2 additional bank holidays, however, market share increased during the year. Further growth was seen in corporate accounts and Palletforce will continue to work closely with other companies trading in the EV Cargo Group.

## **PALLETFORCE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **Going concern**

The Company is a subsidiary of the wider EVCH UK Limited Group (the "Group"). The Group has a number of debt obligations, with cross company guarantees, and therefore in assessing the going concern of the Company, the directors also take into consideration the going concern assessment of the Group.

The Group further manages its treasury function and cash needs on a group wide basis and it will ensure that sufficient cash is available in each company to meet its obligations as they fall due.

The Board has undertaken a rigorous assessment of going concern assumptions at both the group and Company level, using the base case financial forecasts and also a severe but plausible downside scenario covering the 18 months from the date of these accounts.

The current instability in the middle east heightens the dynamic nature of planning the continuation of supply chains. Whilst this introduces greater unpredictability into our forecasting, it is at these times that the EV Cargo business model and capabilities can add continued value to our customers. As such even in a severe downside case, we are anticipating an increase in trading performance during 2024. Our forecasts do not anticipate any issues with banking covenants. In addition, there are several mitigating actions which include, but are not limited to, reducing the fixed cost base and right-sizing the business in line with the volume levels anticipated in a downside scenario. Management and the Board are therefore confident that the significant components of the business will continue to generate sufficient cash flows from their future operations to meet future obligations as they fall due, or secure equivalent financing including the conversion of illiquid assets into cash or via the continued support of the shareholders.

#### **Risk management**

Identifying, assessing and acting upon potential risk areas is an integrated part of operational activity, and the risk management framework is designed to provide fast escalation and timely response to issues that may have a material impact on earnings and financial and strategic targets. Exposure to risk is an unavoidable reality for a global logistics operator. Throughout 2022, some remaining knock-on effects of COVID-19 along with various challenges across the global supply chain were the main areas of immediate concern, but there were also a number of other areas of potential risk which have required vigilance. In each case the potential impact on operations has been analysed and assessed.

#### **Cyber Security**

All organisations continue to face significant and increasingly complex cyber security threats. Improving cyber defences is a continuous programme of investments in people, technology and training. Cyber security has continued to be a primary focus for the Global IT team during 2022 as the technologies and techniques used across our business are harmonised, especially integrating new acquisitions onto the global platform. Excellent progress has been made on removing the more vulnerable systems as part of the Cyber Essentials Plus certification process. This has been reflected in the Cyber Risk Index, with lower risk levels than at the same time last year, and investment has been made in some of the best end-point protection and email filtering systems, with 90 per cent of EV Cargo people using multi-factor authentication. Global IT has centralised the management tools and people to allow deployment of the best technology to every part of EV Cargo. This approach has dramatically improved the visibility of all aspects of the IT infrastructure, allowing EV Cargo to quickly identify cyber security issues and respond quickly and in some cases, automatically.

Risk assessment: LOW

#### **Price, Volume and Capacity**

Market price inflation most notably during 2021 and early 2022 had led to fears that logistics service providers will not be able to pass the extra costs on to their customers. In fact, throughout the last 24 months of disruption and price volatility Palletforce has been successful in passing on costs and protecting profitability. From the second half of 2022 onwards, market price deflation has reduced revenue versus forecasts across the global logistics industry, albeit most notably for air and sea freight, with pricing levels in road freight and contract logistics generally remaining stable. Softening consumer demand, driven primarily by uncertainty around inflation and interest rates, and their impact on disposable incomes, was a feature throughout the second half of 2022 and continues to be a drag on total volumes across the global logistics market into 2023. The consensus however is for a stronger peak season in 2023 compared to 2022 as fears of a global recession recede somewhat. Meanwhile Palletforce continues to plan for a meaningful proportion of volume growth coming from taking market share.

Risk assessment: LOW

## **PALLETFORCE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### *Climate Change*

To date, Palletforce has not experienced any direct impacts from sustainability and climate change issues. Primary concern in this regard is managing any disruption to our members use of fossil fuels to drive their trucks and their own customer supply chains and flow of goods.

Risk assessment: LOW

#### *Competition & Technology*

Palletforce has a patent to protect its technology led Hub operation and, working towards global solutions with the wider EV Cargo businesses, is continually developing and embracing new technologies, keeping it one step ahead of the competition.

Risk assessment: LOW

#### *End Market*

Palletforce has a simple but effective business model which is centred around a membership of local hauliers whose customers benefit from the advanced technologies we embrace. This provides the end market with the confidence that their goods will be delivered as well as offering a member to member tracking portal. Being part of a membership, all UK postcodes are covered so there is always options to ensure delivery.

Risk assessment: LOW

#### *Regulation*

Palletforce continues to excel in its ISO accreditation audits, delivering policy commitments on regulatory requirements and continued improvement which help to minimise business risk. A robust and effective management system means regulatory changes are considered business wide and appropriate actions are developed and implemented.

Risk assessment: LOW

#### *Reputation*

Primary risk is the impact that road traffic accidents, compliance failures and reputation of individual members will have on the network as a whole. Communication across the member network and engagement with each haulier through the Network Support team reduces issues escalating and draws upon the many years of experience gained by individuals.

Risk assessment: LOW

#### *Financial risk management*

Palletforce operations expose it to a variety of financial risks, principally the effect of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The Board is responsible for monitoring financial risk management. Close working with EV Cargo Group Finance also helps mitigate the risk across the Group as a whole.

#### Credit Risk:

The Group has policies in place that require appropriate credit checks on potential customers before sales are made. The finance teams review credit limits, customer balances and potential exposure on a regular basis. Palletforce extends this review to potential new members.

#### Liquidity Risk:

Palletforce has a strong level of working capital and maintains a sufficient net cash balance to ensure that it has funds available for operations and planned expansions.

#### Interest Rate Cash Flow Risk:

Palletforce has both interest bearing assets and liabilities. Interest bearing assets are its cash balances and loans to Group and interest bearing liabilities are in respect of the loan obligations. Palletforce assesses its cash position and borrowing requirements on a regular basis to ensure it maximises its return on its positive cash flows and minimises the rate of interest it pays.

Risk assessment: LOW



## **PALLETFORCE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **Section 172(1) statement**

This section serves as our section 172 statement and should be read in conjunction with the whole Strategic Report. Under section 172(1) of the Companies Act 2006 ('the Act'), Directors are required to explain how they have performed their duty to promote the success of the Company having regard to the likely long term consequences of their decisions, their employees' interests, the Company's relationships with its suppliers, customers and others, and any operational impact on the community and environment, whilst maintaining a good reputation and acting fairly.

#### *Our responsibilities*

The Board considers it has fulfilled its responsibilities under section 172 of the Act. It recognises the need to reflect the views of the group's key stakeholders in its discussions and consider the impact of the decisions it takes on them. This year such key decisions have included an acquisition of Dobbs Logistics Limited and redefining some postcode areas.

#### *Our governance*

Palletforce senior leadership team is deep, well experienced and entirely committed to the Company's success. The team demonstrates a founder's mentality, driving alignment and commitment to support the EV Cargo mission, vision, values and purpose.

Through EV Cargo Group, our corporate governance structure has been developed in accordance with best practice for large, institutional private organisations. It features prescribed compliance practices as required by the Executive Board, boards of directors, senior management, shareholders and other external stakeholders, including a tiered, geographical and scalable approach to reporting and validation. EV Cargo Group Executive Board is supported by select sub-committees, spanning; Audit & Risk, Remuneration & Nomination, ESG, and Capital.

In addition to the Executive Board and the Main Board of Directors of EV Cargo, there are regional and other statutory boards, including; EV Cargo UK, EV Cargo BV (Europe), EV Cargo Asia and EV Cargo Property. There is also a framework of non-statutory operating boards spanning regional, divisional and functional levels to monitor financial performance and strategic execution. These include divisional boards for Global Forwarding in the UK, Europe and Asia, as well as for Solutions, Palletforce and Technology. Functional boards include; Group Financial Performance, Legal, Risk, Tax & Property, Digital & IT, Human Resources, Marketing and Operations.

Palletforce maintains its own Board of Directors whose Chair is the ultimate owner of EV Cargo Group.

#### *Engaging with our stakeholders*

Engaging with our stakeholders strengthens our relationships and helps the Board to understand the issues that matter most to them and our group 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.

Details of group's key stakeholders and how we engage with them is set out below.

#### Members:

Our Membership Network is key to our business success. Members are engaged with on a one-2-one basis through their Network Support Manager, on a regional basis with regular quarterly meeting and nationally at a members General Meeting.

#### Customers:

Palletforce has a number of large national customers who are engaged with through a dedicated team. Cross Group conversations also support potential customers by opening up alternative routes to their international markets.

#### Suppliers:

Palletforce works closely with our suppliers on whom we depend to help us deliver the services we offer our customers. The Board ensures that good relationships are maintained with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms. Working in partnership with these suppliers, Palletforce aims to ensure that both our and the wider EV Cargo Groups values and principles are upheld.

#### Colleagues:

Our colleagues are our most valuable assets. We aim to create and foster an environment in which our employees feel both respected, empowered, and safe. We are continuously aiming to build a transparent culture where employees voices and opinions are heard, and where employees understand how their individual roles contribute to the overall goals of the Company.

## **PALLETFORCE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

At Palletforce we have embraced EV Cargos journey over the past number of years to embed the culture change programme, "Delivering Better". The vision for this programme is to create a culture and atmosphere that makes a difference to our employees' day to day.

In 2022, EV Cargo continued to assess and monitor where they can improve Health and Safety practices, rolling out additional training, engaging teams more regularly across the company through dedicated forums, conducting additional risk assessments and investing in solutions to better understand the root causes of incidents occurring, and to mitigate risk where possible. Towards the end of 2022, they launched their Health and Safety Strategy Vision internally for 2023-2028. This new strategy vision focuses and sets their commitment across key pillars of the SHEQ programme; Wellbeing, Culture, Engagement, Competence, Technology and Efficiency. By focusing on these pillars, EV Cargo believe they can drive forward their SHEQ performance to move from safety being driven by compliance or management, to being driven by empowered individuals. Palletforce supports this roll out. Our own commitment to the wellbeing and safety of our colleagues saw us once again receive our 15th Gold RoSPA award in recognition of the health and safety culture we have throughout Palletforce.

At the heart of EV Cargo is a commitment to creating a fair and equitable working environment for all employees. They recognise the value of encouraging diversity and inclusion in helping achieve strategic success. As part of the aspiration to create a more equitable workplace, they seek to demonstrate best practice in people management policies and practices. In 2022, EV Cargo CEO received recognition from the UN Global Compact for advancing the number of women in leadership and management positions. In early 2021, women made up only 19% of managers and had zero representation within EV Cargo's governance bodies; by 2022, these statistics significantly increased to 31% and 29%, respectively. In 2022, EV Cargo also completed the Target Gender Equality, an accelerator programme to deepen implementation of gender equality in companies participating in the UN Global Compact At Palletforce we support this initiative and encourage and support all employees to be the best that they can be.

In 2022, EV Cargo reviewed their Human Resources (HR) processes to improve their effectiveness and reduce complexity in a number of ways. This included introducing a People Services helpline contact number to provide employees with better support. They also expanded the training and development function and focused on developing internal competency model, which supports recruitment and development materials. Employees of Palletforce benefit from this central service.

#### Shareholders:

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

#### Communities and the environment:

As part of a responsible group, Palletforce want to play their part in addressing environmental challenges, in line with the expectations of members, customers, employees and communities in which we operate. We intend to continue our carbon offsetting approach, linking this with our sustainability strategy. We will seek new opportunities to engage with charities local to our operations, promoting sustainable opportunities within the communities we operate.

#### Government and regulators:

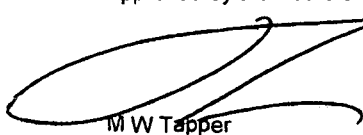
We engage with the government and regulators through range of industry consultations, forums, meetings and conferences. Key areas of focus include compliance with laws and regulations and health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

#### **Decision making in practice**

##### ***Key decision: Strategic acquisition of Dobbs Logistics***

The Company acquired Dobbs Logistics Limited in December 2022, a leading pallet network operator based in St Leonards with a strong reputation in the market for service quality and capability. This acquisition allows us to further strengthen network coverage, specifically in East Sussex, an area where most of our competitors struggle with delivery capacity and service consistency, and this will allow us to substantially upgrade its delivery arrangements in the area. The acquisition is another example of EV Cargo delivering against its strategy to have the best member in each post code in its Palletforce LTL network.

Approved by the Board of Directors on 29/01/24 and signed on its behalf by:



M W Tapper  
Director

## **PALLETFORCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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

#### **Directors of the Company**

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

H B Zarin - Chairman

M W Tapper - Chief Executive Officer

D I Breeze

D Holland

D J Hughes

S R Pearson

S J Back (resigned 6 December 2022)

A R Leonard (resigned 14 March 2022)

#### **Matters included in the Strategic Report**

The following are considered to be of strategic importance and are therefore covered in the Strategic Report:

- principal risks and uncertainties;
- future developments;
- engagement with employees; and
- engagement with suppliers, customers and other stakeholders.

#### **Important non adjusting events after the financial period**

In December 2023 the Company became a joint party, together with other group companies, to the financial guarantee contract in relation to the bank borrowings of EVCH UK Limited, which amounted to £25,000,000.

Post year end, the debt of £13,000,000 held by the parent of the Company was extended to £25,000,000. The Company remains a guarantor to this debt.

#### **Employment of disabled persons**

Where reasonable and within existing legislation Palletforce has treated all persons, including disabled persons, in the same way in matters relating to employment, training, career development and promotion.

#### **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 as set out in note 25 to the financial statements.

#### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

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

## **PALLETFORCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

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

The directors are also 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.

#### **Directors' confirmations**

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all 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.

#### **Reappointment of independent auditors**

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

The financial statements on pages 14 to 30 were approved by the Board of Directors on 24/01/24 and signed on its behalf by:



M W Tapper  
Director

# Independent auditors' report to the members of Palletforce Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Palletforce Limited's financial statements:

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

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

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

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

# Independent auditors' report to the members of Palletforce Limited

## **Reporting on other information (continued)**

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

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

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance

# Independent auditors' report to the members of Palletforce Limited

## **Auditors' responsibilities for the audit of the financial statements (continued)**

might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial results. Audit procedures performed by the engagement team included:

- Confirmation and enquiry of management and those charged with governance around known or suspected instances of non-compliance with laws and regulation, including consideration of actual or potential litigation and claims;
- Reviewing minutes of meetings of those charged with governance;
- Identifying and testing unusual journal entries;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

## **Use of this report**

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

## Other required reporting

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



David Teager (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
29 January 2024

**PALLETFORCE LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022**

|  | <b>Note</b> | <b>2022<br/>£ 000</b> | <b>2021<br/>£ 000</b> |
|--|-------------|-----------------------|-----------------------|
| Turnover                                     | 3           | 142,849               | 147,132               |
| Cost of sales                                |             | <u>(120,117)</u>      | <u>(122,628)</u>      |
| Gross profit                                 |             | 22,732                | 24,504                |
| Administrative expenses                      |             | (16,819)              | (15,523)              |
| Other operating income                       | 4           | <u>451</u>            | <u>327</u>            |
| Operating profit                             | 5           | 6,364                 | 9,308                 |
| Other interest receivable and similar income | 6           | 305                   | -                     |
| Interest payable and similar expenses        | 7           | <u>(95)</u>           | <u>(288)</u>          |
| Profit before tax                            |             | 6,574                 | 9,020                 |
| Tax on profit                                | 11          | <u>(293)</u>          | <u>(1,895)</u>        |
| Profit for the financial year                |             | <u>6,281</u>          | <u>7,125</u>          |

The above results were derived from continuing operations.

The company has no other comprehensive income for the year.

The notes on pages 17 to 30 form an integral part of these financial statements.



**PALLETFORCE LIMITED****(REGISTRATION NUMBER: 04088035 (ENGLAND & WALES))  
BALANCE SHEET AS AT 31 DECEMBER 2022**

|   | Note   | 2022<br>£ 000   | 2021<br>£ 000   |
|---|--------|-----------------|-----------------|
| <b>Fixed assets</b>                                     |        |                 |                 |
| Intangible assets                                       | 12     | -               | -               |
| Tangible assets   | 13     | 1,085           | 1,428           |
| Investments   | 14     | <u>4,949</u>    | <u>-</u>        |
|   |        | <u>6,034</u>    | <u>1,428</u>    |
| <b>Current assets</b>                                   |        |                 |                 |
| Stocks  | 15     | 22              | 20              |
| Debtors   | 16     | 47,620          | 46,331          |
| Cash at bank and in hand                                |        | <u>1,615</u>    | <u>5,606</u>    |
|   |        | 49,257          | 51,957          |
| Creditors: Amounts falling due within one year          | 17     | <u>(35,129)</u> | <u>(40,004)</u> |
| Net current assets                                      |        | <u>14,128</u>   | <u>11,953</u>   |
| Total assets less current liabilities                   |        | 20,162          | 13,381          |
| Creditors: Amounts falling due after more than one year | 17     | <u>(500)</u>    | <u>-</u>        |
| Net assets  |        | <u>19,662</u>   | <u>13,381</u>   |
| <b>Capital and reserves</b>                             |        |                 |                 |
| Called up share capital                                 | 20, 21 | 1,095           | 1,095           |
| Share premium account                                   | 21     | 1,223           | 1,223           |
| Capital redemption reserve                              | 21     | 238             | 238             |
| Profit and loss account                                 | 21     | <u>17,106</u>   | <u>10,825</u>   |
| Total equity  |        | <u>19,662</u>   | <u>13,381</u>   |

Approved and authorised by the Board on 29/01/24 and signed on its behalf by:

  
M W Tapper  
Director

The notes on pages 17 to 30 form an integral part of these financial statements.

**PALLETFORCE LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022**

|                            | Called up share<br>capital<br>£ 000 | Share premium<br>account<br>£ 000 | Capital<br>redemption<br>reserve<br>£ 000 | Profit and loss<br>account<br>£ 000 | Total equity<br>£ 000 |
|----------------------------|-------------------------------------|-----------------------------------|---|-------------------------------------|-----------------------|
| At 1 January 2022          | 1,095                               | 1,223                             | 238                                       | 10,825                              | 13,381                |
| Profit for the year        | -                                   | -                                 | -   | 6,281                               | 6,281                 |
| Other comprehensive income | -                                   | -                                 | -   | -                                   | -                     |
| Total comprehensive income | -                                   | -                                 | -   | 6,281                               | 6,281                 |
| At 31 December 2022        | 1,095                               | 1,223                             | 238                                       | 17,106                              | 19,662                |

|                            | Called up share<br>capital<br>£ 000 | Share premium<br>account<br>£ 000 | Capital<br>redemption<br>reserve<br>£ 000 | Profit and loss<br>account<br>£ 000 | Total equity<br>£ 000 |
|----------------------------|-------------------------------------|-----------------------------------|---|-------------------------------------|-----------------------|
| At 1 January 2021          | 1,095                               | 1,223                             | 238                                       | 3,700                               | 6,256                 |
| Profit for the year        | -                                   | -                                 | -   | 7,125                               | 7,125                 |
| Other comprehensive income | -                                   | -                                 | -   | -                                   | -                     |
| Total comprehensive income | -                                   | -                                 | -   | 7,125                               | 7,125                 |
| At 31 December 2021        | 1,095                               | 1,223                             | 238                                       | 10,825                              | 13,381                |

The notes on pages 17 to 30 form an integral part of these financial statements.

## **PALLETFORCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1 General information**

The company is a private company limited by share capital, incorporated in the United Kingdom.

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 United Kingdom and Republic of Ireland' and the Companies Act 2006.

##### **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:

- the requirement to prepare a statement of cash flows (section 7 of FRS 102, para 3.17);
- certain financial instrument disclosures (FRS 102 sections 11.42, 11.44, 11.34, 11.47, 11.48 (a)(iii), 11.48 (a)(iv), 11.48 (b)); and
- disclosure of key management personnel compensation (FRS 102, section 33.7).

##### **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.

##### **Exemption from preparing group accounts**

The financial statements contain information about Palletforce Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of EVCH UK Limited, a company incorporated in the United Kingdom.

##### **Going concern**

The company is a subsidiary of the wider EVCH UK Limited Group (the "Group"). The Group has a number of debt obligations, with cross company guarantees, and therefore in assessing the going concern of the company, the directors also take into consideration the going concern assessment of the Group.

The Group further manages its treasury function and cash needs on a group wide basis and it will ensure that sufficient cash is available in each company to meet its obligations as they fall due.

The Board has undertaken a rigorous assessment of going concern assumptions at both the group and company level, using the base case financial forecasts and also a severe but plausible downside scenario covering the 18 months from the date of these accounts.

## **PALLETFORCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **2 Accounting policies (continued)**

The current instability in the middle east heightens the dynamic nature of planning the continuation of supply chains. Whilst this introduces greater unpredictability into our forecasting, it is at these times that the EV Cargo business model and capabilities can add continued value to our customers. As such even in a severe downside case, we are anticipating an increase in trading performance during 2024. Our forecasts do not anticipate any issues with banking covenants. In addition, there are several mitigating actions which include, but are not limited to, reducing the fixed cost base and right-sizing the business in line with the volume levels anticipated in a downside scenario. Management and the Board are therefore confident that the significant components of the business will continue to generate sufficient cash flows from their future operations to meet future obligations as they fall due, or secure equivalent financing including the conversion of illiquid assets into cash or via the continued support of the shareholders.

#### **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.

## **PALLETFORCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **2 Accounting policies (continued)**

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a 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.

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:

| <b>Asset class</b>                 | <b>Depreciation method and rate</b> |
|------------------------------------|-------------------------------------|
| Short leasehold land and buildings | 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:

| <b>Asset class</b> | <b>Amortisation method and rate</b> |
|--------------------|-------------------------------------|
| Computer software  | 2 - 3 years straight line           |

##### **Investments**

Investments in subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases and are accounted for 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 2022 (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.

##### **Invoice discounting**

The company's trade receivables include receivables that are subject to invoice discounting arrangements. Under this arrangement the company receives advances against those trade receivables and is prevented from selling or pledging the receivables. However, the company has retained late payment and credit risk and continues to recognise those trade receivables in their entirety in the balance sheet.

##### **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.

##### **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.

## PALLETFORCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 2 Accounting policies (continued)

##### Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of 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.

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.

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.

#### 3 Turnover

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

|                              | 2022           | 2021           |
|------------------------------|----------------|----------------|
|                              | £ 000          | £ 000          |
| Network Turnover             | 102,752        | 104,170        |
| Network Fees                 | 27,042         | 28,359         |
| Strategic and National sales | 11,379         | 12,764         |
| Additional charges           | 1,676          | 1,839          |
|                              | <u>142,849</u> | <u>147,132</u> |

The above represents the rendering of services.

# **PALLETFORCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

### **3 Turnover (continued)**

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

|                | <b>2022</b>    | <b>2021</b>    |
|----------------|----------------|----------------|
|                | <b>£ 000</b>   | <b>£ 000</b>   |
| United Kingdom | 142,538        | 145,501        |
| Europe         | 311            | 1,631          |
|                | <u>142,849</u> | <u>147,132</u> |

### **4 Other operating income**

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

|                          | <b>2022</b>  | <b>2021</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£ 000</b> | <b>£ 000</b> |
| Administrative recharges | 99           | 140          |
| Rental income            | 352          | 187          |
|                          | <u>451</u>   | <u>327</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:

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| Depreciation expense                          | 632          | 848          |
| Operating lease expense - plant and machinery | 792          | 925          |
| Operating lease expense - property            | 3,484        | 3,551        |

### **6 Other interest receivable and similar income**

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| Interest on loans to group undertakings | 305          | -            |

### **7 Interest payable and similar expenses**

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| Interest on bank overdrafts and borrowings    | 95           | 8            |
| Interest expense on other finance liabilities | -            | 280          |
|   | <u>95</u>    | <u>288</u>   |

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

### **8 Staff costs**

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

|                       | <b>2022</b>  | <b>2021</b>  |
|-----------------------|--------------|--------------|
|                       | <b>£ 000</b> | <b>£ 000</b> |
| Wages and salaries    | 6,379        | 7,138        |
| Social security costs | 772          | 705          |
| Other pension costs   | 230          | 258          |
|                       | <u>7,381</u> | <u>8,101</u> |



**PALLETFORCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(CONTINUED)**

**8 Staff costs (continued)**

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

|                     | <b>2022<br/>No.</b> | <b>2021<br/>No.</b> |
|---------------------|---------------------|---------------------|
| Distribution        | 115                 | 128                 |
| Administration      | 42                  | 50                  |
| Management          | 19                  | 18                  |
| Executive directors | 5                   | 7                   |
|                     | <u>181</u>          | <u>203</u>          |

**9 Directors' remuneration**

The directors' remuneration for the year was as follows:

|  | <b>2022<br/>£ 000</b> | <b>2021<br/>£ 000</b> |
|--|-----------------------|-----------------------|
| Remuneration                                 | 1,094                 | 1,512                 |
| Contributions paid to money purchase schemes | 68                    | 151                   |
|  | <u>1,162</u>          | <u>1,663</u>          |

Two directors of the company are Group directors and are remunerated through Emergevest or a sister company. No recharges are made to the company and therefore no remuneration has been included in the above analysis in respect of them.

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

|   | <b>2022<br/>No.</b> | <b>2021<br/>No.</b> |
|---|---------------------|---------------------|
| Accruing benefits under money purchase pension scheme | <u>4</u>            | <u>3</u>            |

In respect of the highest paid director:

|   | <b>2022<br/>£ 000</b> | <b>2021<br/>£ 000</b> |
|---|-----------------------|-----------------------|
| Remuneration  | 287                   | 357                   |
| Company contributions to money purchase pension schemes | <u>19</u>             | <u>-</u>              |

**10 Auditor's remuneration**

|                                   | <b>2022<br/>£ 000</b> | <b>2021<br/>£ 000</b> |
|-----------------------------------|-----------------------|-----------------------|
| Audit of the financial statements | <u>126</u>            | <u>70</u>             |

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of EVCH UK Limited.

# **PALLETFORCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

### **11 Tax on profit**

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

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| <b>Current taxation</b>                                     |              |              |
| UK corporation tax  | 1,338        | 1,703        |
| UK corporation tax adjustment to prior periods              | <u>(958)</u> | <u>259</u>   |
|   | <u>380</u>   | <u>1,962</u> |
| <b>Deferred taxation</b>                                    |              |              |
| Arising from origination and reversal of timing differences | (68)         | (74)         |
| Arising from changes in tax rates and laws                  | (25)         | (7)          |
| Arising from adjustments in respect of prior periods        | <u>6</u>     | <u>14</u>    |
| Total deferred taxation                                     | <u>(87)</u>  | <u>(67)</u>  |
| Tax charge in the profit and loss account                   | <u>293</u>   | <u>1,895</u> |

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

The differences are reconciled below:

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| Profit before tax   | <u>6,574</u> | <u>9,020</u> |
| Corporation tax at standard rate  | 1,249        | 1,714        |
| Effect of expense not deductible in determining taxable profit                      | 21           | 71           |
| (Decrease)/increase in UK and foreign current tax from adjustment for prior periods | (958)        | 259          |
| Tax decrease arising from group relief  | -            | (156)        |
| Deferred tax credit relating to changes in tax rates or laws                        | (25)         | (7)          |
| Deferred tax expense from adjustment to prior periods                               | <u>6</u>     | <u>14</u>    |
| Total tax charge  | <u>293</u>   | <u>1,895</u> |

In March 2021 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.

On 20 December 2021, the OECD released a framework for Pillar Two Model Rules which will introduce a global minimum corporate tax rate of 15% applicable to multinational enterprise groups with global revenue over €750 million. In addition, on 20 July 2022, HM Treasury released draft UK legislation that would commence for accounting periods starting on or after 31 December 2023. The company is reviewing this draft legislation and monitoring the status of implementation to understand the potential impacts.

### **Deferred tax**

Deferred tax assets and liabilities, the movement on which is included in the profit and loss account above, comprised:

|   | <b>Asset</b> |
|---|--------------|
|   | <b>£ 000</b> |
| <b>2022</b>   |              |
| Other short term timing differences   | 138          |
| Difference between accumulated depreciation and amortisation and capital allowances | <u>(2)</u>   |
|   | <u>136</u>   |

**PALLETFORCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(CONTINUED)**

**11 Tax on profit (continued)**

|   | <b>Asset<br/>£ 000</b> |
|---|------------------------|
| <b>2021</b>   |                        |
| Other short term timing differences   | 82                     |
| Difference between accumulated depreciation and amortisation and capital allowances | <u>(33)</u>            |
|   | <u>49</u>              |

**12 Intangible assets**

|                        | <b>Computer<br/>software<br/>£ 000</b> |
|------------------------|--|
| <b>Cost</b>            |  |
| At 1 January 2022      | <u>911</u>                             |
| At 31 December 2022    | <u>911</u>                             |
| <b>Amortisation</b>    |  |
| At 1 January 2022      | <u>911</u>                             |
| At 31 December 2022    | <u>911</u>                             |
| <b>Carrying amount</b> |  |
| At 31 December 2022    | <u>-</u>                               |
| At 31 December 2021    | <u>-</u>                               |

**PALLETFORCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**13 Tangible assets**

|                        | Short leasehold<br>land and<br>buildings<br>£ 000 | Plant and<br>machinery<br>£ 000 | Fixtures and<br>fittings<br>£ 000 | Computer<br>hardware<br>£ 000 | Total<br>£ 000 |
|------------------------|---|---------------------------------|-----------------------------------|-------------------------------|----------------|
| <b>Cost</b>            |   |                                 |                                   |                               |                |
| At 1 January 2022      | 1,610   | 264                             | 422                               | 6,586                         | 8,882          |
| Additions              | -   | 113                             | -                                 | 176                           | 289            |
| At 31 December 2022    | <u>1,610</u>                                      | <u>377</u>                      | <u>422</u>                        | <u>6,762</u>                  | <u>9,171</u>   |
| <b>Depreciation</b>    |   |                                 |                                   |                               |                |
| At 1 January 2022      | 1,061   | 258                             | 374                               | 5,761                         | 7,454          |
| Charge for the year    | 49  | 24                              | 25                                | 534                           | 632            |
| At 31 December 2022    | <u>1,110</u>                                      | <u>282</u>                      | <u>399</u>                        | <u>6,295</u>                  | <u>8,086</u>   |
| <b>Carrying amount</b> |   |                                 |                                   |                               |                |
| At 31 December 2022    | <u>500</u>  | <u>95</u>                       | <u>23</u>                         | <u>467</u>                    | <u>1,085</u>   |
| At 31 December 2021    | <u>549</u>  | <u>6</u>                        | <u>48</u>                         | <u>825</u>                    | <u>1,428</u>   |

# **PALLETFORCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

### **14 Investments**

| <b>Investments in subsidiaries</b> | <b>£ 000</b> |
|------------------------------------|--------------|
| <b>Cost</b>                        |              |
| At 1 January 2022                  | -            |
| Additions                          | 4,949        |
| At 31 December 2022                | 4,949        |
| <b>Carrying amount</b>             |              |
| At 31 December 2022                | 4,949        |
| At 31 December 2021                | -            |

In December 2022, the company acquired 100% of the share capital of Dobbs Logistics Limited and its parent company Ovimore Limited. Dobbs Logistics Limited provides pallet distribution, project cargo, haulage and warehousing services. This acquisition further strengthens the Palletforce network, providing members with a stable and trusted service partner in a key location. The investment above comprises of cash consideration & acquisition costs totalling £3,949,000 and deferred consideration of £1,000,000.

#### **Details of undertakings**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking             | Registered office  | Holding         | Proportion of voting rights and shares held |      |
|-------------------------|--|-----------------|---|------|
|                         |  |                 | 2022  | 2021 |
| Subsidiary undertakings |  |                 |   |      |
| Ovimore Limited         | 30 - 34 North Street, Hailsham, East Sussex, BN27 1DW<br>England & Wales | Ordinary shares | 100%  | 0%   |
| Dobbs Logistics Limited | 30 - 34 North Street, Hailsham, East Sussex, BN27 1DW<br>England & Wales | Ordinary shares | 100%  | 0%   |

The investment in Ovimore Limited is a direct investment of the company.

### **15 Stocks**

|               | <b>2022</b>  | <b>2021</b>  |
|---------------|--------------|--------------|
|               | <b>£ 000</b> | <b>£ 000</b> |
| Raw materials | 22           | 20           |

### **16 Debtors**

|   | <b>Note</b> | <b>2022</b>  | <b>2021</b>  |
|---|-------------|--------------|--------------|
|   |             | <b>£ 000</b> | <b>£ 000</b> |
| Trade debtors   |             | 13,516       | 13,642       |
| Amounts owed by group undertakings                    |             | 30,431       | 30,370       |
| Other debtors   |             | 1,054        | 131          |
| Deferred tax assets                                   | 11          | 136          | 49           |
| Corporation tax asset                                 |             | 1,766        | 904          |
| Prepayments and accrued income                        |             | 717          | 1,235        |
| Total current and non-current trade and other debtors |             | 47,620       | 46,331       |
| Less non-current portion                              |             | (136)        | (49)         |
| Total current trade and other debtors                 |             | 47,484       | 46,282       |

# **PALLETFORCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

### **16 Debtors (continued)**

The provision of £461,066 (2021 - £514,329) recognised against trade debtors represents contractual member bad debt contributions and as such any movements in the provision are not recognised within the profit and loss account.

#### **Details of non-current trade and other debtors**

£136,000 (2021 - £49,000) of deferred tax is non-current.

#### **Amounts pledged as security**

Trade debtors have been pledged as collateral for the company's secured invoice financing.

#### **Amounts owed by group undertakings**

Included in amounts owed by group undertakings are the following amounts: £18,878,000 (2021 - £13,606,000) repayable on demand and interest free; and £11,553,000 (2021 - £16,764,000) repayable on demand with interest charged at rates of 0.5% and 6% per annum. Amounts owed by group undertakings are unsecured.

### **17 Creditors**

|   | Note | 2022<br>£ 000 | 2021<br>£ 000 |
|---|------|---------------|---------------|
| <b>Amounts falling due within one year</b>          |      |               |               |
| Loans and borrowings                                | 18   | 2,011         | 6             |
| Trade creditors                                     |      | 12,478        | 12,400        |
| Amounts due to group undertakings                   |      | 11,707        | 13,155        |
| Other creditors                                     |      | 814           | 1,061         |
| Deferred consideration                              |      | 500           | -             |
| Other taxation and social security                  |      | 448           | 1,225         |
| Corporation tax liability                           |      | -             | 3,699         |
| Accruals and deferred income                        |      | 7,171         | 8,458         |
|   |      | <u>35,129</u> | <u>40,004</u> |
| <b>Amounts falling due after more than one year</b> |      |               |               |
| Deferred consideration                              |      | <u>500</u>    | <u>-</u>      |

#### **Amounts due to group undertakings**

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

#### **Deferred consideration**

Deferred consideration, arising on the acquisition disclosed in note 14 to the financial statements, is payable in amounts of £500,000 on 23 December 2023 and £500,000 on 23 December 2024. These amounts have therefore been appropriately presented as creditors: amounts falling due within one year and creditors: amounts falling due after more than one year.

### **18 Loans and borrowings**

|                                     | 2022<br>£ 000 | 2021<br>£ 000 |
|-------------------------------------|---------------|---------------|
| <b>Current loans and borrowings</b> |               |               |
| Secured invoice financing           | <u>2,011</u>  | <u>6</u>      |

#### **Secured invoice financing**

Secured invoice financing is secured by fixed and floating charges over the assets of the company and its parent companies. The discount rate is 2.25% over 3 month SONIA.

## PALLETFORCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 19 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 £230,000 (2021 - £258,000).

#### 20 Called up share capital

##### Allotted, called up and fully paid shares

|                                      | 2022         |              | 2021         |              |
|--------------------------------------|--------------|--------------|--------------|--------------|
|                                      | 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> |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital and the holders are entitled to one vote per share at meetings of the company.

#### 21 Reserves

##### Called up share capital:

Represents the issued equity share capital of the company.

##### Share premium account:

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.

#### 22 Obligations under leases

##### Operating leases

The total of future minimum lease payments is as follows:

|   | 2022          | 2021          |
|---|---------------|---------------|
|   | £ 000         | £ 000         |
| Not later than one year                           | 4,727         | 4,012         |
| Later than one year and not later than five years | 17,652        | 15,210        |
| Later than five years                             | <u>30,765</u> | <u>28,621</u> |
|   | <u>53,144</u> | <u>47,843</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,276,000 (2021 - £4,476,000).

#### 23 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 2022 amounted to £13,000,000 (2021 - £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.

## **PALLETFORCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **24 Non adjusting events after the financial period**

In December 2023 the Company became a joint party, together with other group companies, to the financial guarantee contract in relation to the bank borrowings of EVCH UK Limited, which amounted to £25,000,000.

Post year end, the debt of £13,000,000 held by the parent of the Company was extended to £25,000,000. The Company remains a guarantor to this debt.

#### **25 Parent and ultimate parent undertaking**

The company's immediate parent is Forcefield Bidco Limited, incorporated in the United Kingdom. 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 its registered office: Phoenix House, Oxford Road, Gerrards Cross, Buckinghamshire, SL9 7AP. The ultimate controlling party is Mr H Zarin.