Registration number: 05015923

EVCH UK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

EVCH UK LIMITED

CONTENTS

	Page
Company Information	2
Strategic Report	3 to 10
Directors' Report	11 to 15
Independent Auditor's Report	16 to 19
Consolidated Income Statement	20
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22 to 23
Consolidated Statement of Changes in Equity	24 to 25
Consolidated Statement of Cash Flows	26 to 27
Notes to the Consolidated Financial Statements	28 to 92
Company Balance Sheet	93
Company Statement of Changes in Equity	94
Notes to the Company Financial Statements	95 to 99

EVCH UK LIMITED

COMPANY INFORMATION

Directors

H B Zarin

P W Coutts

S R Pearson

C M Tan

Company secretary

M Davis

Registered office

Phoenix House
Oxford Road
Gerrards Cross
England
SL9 7AP

Bankers

Barclays Bank PLC
Southend-on-Sea Branch
PO Box 1504
Southend-on-Sea
Essex
SS2 6XX

Independent Auditors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

EVCH UK Limited, also referred to as EV Cargo or group, is a leading global freight forwarding and supply chain services provider with operations in 25 countries worldwide. EV Cargo 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. Significant investment activity has taken place with material acquisitions during the financial year, as well as an acquisition after the financial year, as further detailed below.

EV Cargo provides services in three primary segments:

- **Air and sea freight** – this part of the business offers air and sea freight forwarding activities and related supply chain technology services globally. These include origin cargo management services such as consolidation and quality control, in addition to destination services including customs clearance, cross border e-commerce fulfilment, storage and final mile delivery services. Our customers worldwide use the EV Cargo platform to source, select, order, ship, track, clear customs and deliver their international shipments. Furthermore, thousands of buyers, producers and logistics service providers worldwide are connected through ONE EV Cargo, our proprietary technology platform that enables the secure and sustainable international movement of goods, data and funds. Our rapidly expanding global network, along with long-standing relationships with the world's leading air and ocean carriers, underpins our service capability, and our proprietary range of multi-modal solutions ensures our customers are able to select the most suitable routing and mode for each of their shipments based on transit time and cost.
- **Road freight** - this part of the business involve the door-to-door movements of domestic and intra-European shipments, where we operate solutions for less-than-truckload (LTL) and full-truckload (FTL). EV Cargo is a leading UK and European road freight provider, offering our customers managed access to an integrated fleet of over 15,000 trucks.
  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 as well as to and from 27 European countries. Our LTL network is underpinned by our industry-leading central pallet sortation SuperHub in Burton on Trent in the UK, along with our European road freight hub in Nettetal on the German / Dutch border.
  Our FTL service operates through a central control tower that is underpinned by ONE EV Cargo our proprietary technology stack. The control tower optimizes the mix of subcontracted third-party carriers and our own fleet of over 300 trucks to provide fully managed delivery solutions for many leading industrial, retail and consumer goods brands.
  EV Cargo is also a leading provider of European cross-border freight forwarding services for both groupage and full loads, including hanging garments. Our extensive cross-border European overland network extends south to Turkey and North Africa, east to the Black Sea and north to the Baltic states and is underpinned by over 20 of our own offices from Greece in the south to Poland in the north.
- **Contract logistics** - this part of business involve the provision of logistics and supply chain management services for large retail and manufacturing customers. These include a combination of warehouse and final mile distribution underpinned by strategic assets. We provide inventory management and order fulfilment services, order picking, repacking and labelling along with associated inbound transportation and outbound distribution. EV Cargo provides integrated warehousing and distribution services primarily focused around serving the final mile requirements of international supply chains.
  We offer our customers a global network of 3m square feet of own-operated warehouse space that is supplemented by over 6m square feet of third-party warehouse space and all underpinned by ONE EV Cargo, our proprietary technology stack.
  We have contract logistics capability in all of our major operating markets, offering storage, order fulfilment and value added services, and these large and efficient multi-customer contract logistics operations enable us to offer the highest levels of service quality and flexibility. We also operate a number of large dedicated single customer contract logistics facilities in both the UK and Europe specifically in the drinks, home & living, and automotive segments.
  Our contract logistics operations are seamlessly integrated with our road freight and international air and sea freight operations, enabling us to offer customers a complete end to end solution. Our sites in Amsterdam, Rotterdam, Nettetal and Le Havre are particularly focused on providing port-centric logistics services and onward final mile delivery across Europe.

Business review

During the year to 31 December 2022, we made strong progress against our strategic objectives, in spite of the challenging market dynamics, most notably a general softening of demand through the year as consumer confidence was increasingly impacted by both inflation and global instability and uncertainty. The rapid normalisation of average selling prices across the industry in sea freight and to a less extent air freight through 2022 also acted as a meaningful obstacle to revenue growth.

We successfully completed the acquisition and integration of Netherlands based air and sea freight forwarder Fast Forward Freight, and in doing so created a substantial pan-European logistics execution platform as well as bringing meaningful capability and business in new high-value verticals including automotive, aerospace, marine engineering and pharmaceuticals. An add-on acquisition of Madrid based air freight forwarder Air Express Cargo further extended our European footprint into Iberia and enabled the development of our Europe to Latin America air-bridge service. Furthermore, we made substantial progress towards the acquisition of another European air and sea freight forwarder that will further increase our scale in the key Netherlands market, an acquisition that completed in early 2023. Finally we completed the acquisition of Dobbs Logistics, a successful regional road freight operator in the Southeast of the UK which substantially strengthens the network coverage and competitive advantage of Palletforce, our LTL road freight network.

In Asia we saw great success with our organic expansion plans in mainland China and also across Southeast Asia, completing the recruitment of our expanded regional teams, establishing operating entities in the target markets and rapidly scaling up our operational readiness for 2023. This expansion complements our existing network of third party agents and joint ventures in Asia with a deeper and integrated offering of service from our own offices, people and systems. As well as allowing for increased value added services and solutions to customers, the expansion of our own office footprint will also enable us to be far more effective in business development locally in these fast growing markets, especially in Southeast Asia which is benefiting from the increase in China +1 manufacturing strategies.

Air and sea freight segment:

After the intense volatility and unpredictability of the global air and sea freight forwarding market throughout 2021 and into the early months of 2022, overall the year was characterised by a steady return to normality with supply and demand slowly converging.

In air freight, global air cargo capacity continued to return steadily to the market during 2022 as the number of passenger flights worldwide, and therefore belly hold cargo capacity, increased throughout the year. However, in terms of air cargo capacity, Asia continued to be relatively slow to recover, most notably to and from Hong Kong and mainland China where COVID-19 travel restrictions continued to suppress travel demand and the number of passenger flights throughout 2022. The Asia to Europe market was also negatively impacted by Russia's war in Ukraine which caused flights to divert away from over-flying the region, adding up to 15% onto flight times and therefore airline operating costs. Coupled with a general easing of demand for air freight, operationally the ability to secure air cargo capacity eased throughout the year and as a result market prices softened.

In sea freight, the major port congestion issues, most notably on the US West Coast, that had drained the market of capacity throughout 2021 and coincided with buoyant demand particularly for consumer goods, eased rapidly throughout the first half of 2022 with operations returning to a much more stable footing towards the end of the year. This coincided with a general softening in demand that was exacerbated by severe COVID-19 lockdowns in mainland China that impacted both factory production and port operations throughout the year. In the face of falling volumes and increasing available capacity, the ocean carriers were unable to maintain pricing discipline, and market rates subsequently reduced rapidly.

In 2022 our air and sea freight team were heavily focused on successfully integrating the two freight forwarding acquisitions that EV Cargo completed during the year. Fast Forward Freight, a Netherlands headquartered air and sea freight forwarder with operations also in Belgium, Germany, France, Scotland, Switzerland and Greece was acquired at the end of the first quarter of 2022. The integration involved welcoming and on-boarding 400 new employees into our global team and plugging over 20 offices across Europe into our global network operations. Air Cargo Express, a small Spanish air freight forwarder was completed at the end of the second quarter, and their offices in Madrid, Barcelona, Valencia and Zaragoza along with over 25 new employees combined into our European platform. Key focus areas for the integrations included systems levelling so they operate on the ONE EV Cargo platform, leveraging of freight deals across the combined business, consolidation and concentration of operations where overlaps exist, and leveraging EV Cargo's significantly larger global footprint and capability to increase the breadth of services offered to the newly acquired customer base.

EV Cargo made great progress through 2022 with executing the growth strategy in Asia, which is spearheaded by our air and sea freight segment, starting by building the management team who will ultimately lead our expansion in the region through 2023. The air and sea freight teams continued to focus on technology-enabled improvements in efficiency and automation throughout 2022 including the deployment of additional digital tools to simplify and strengthen core operational processes. Adding our own offices across Asia means that shipments are managed by EV Cargo people and systems throughout from door to door, another key driver in increased productivity through simplicity and the streamlining of underlying operational processes.

***Road freight segment*:**

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.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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. The FTL road freight sector also saw suppressed demand in 2022, most notably in the fourth quarter in the consumer goods segment where high overhanging inventory levels and reduced consumer confidence combined to impact on volumes. This enabled the sector to cool off somewhat versus 2021, with the capacity gap between demand and supply, most notably for truck drivers, narrowing meaningfully as the year progressed.

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. In the FTL segment, the road freight team continued their work to optimise the network overall, focusing on the mix between 4PL and own fleet solutions to minimise empty miles and maximise overall truck and driver utilisation. Good progress was made on the road freight digitalisation program through 2022 with increased process automation and flow of data to and from customers, between operational systems and with the driver through in-cab telematics.

Contract logistics segment:

The UK contract logistics market had a solid 2022 driven by strong demand for warehouse capacity and a shortage of high-quality space in the market despite substantial new build investment and a very active construction pipeline on the part of the logistics property development sector.

One of the biggest drivers of the demand for contract logistics continues to be the strong growth in e-commerce as a sales channel and e-fulfilment as a logistics service. The relentless pressure for ever shorter customer lead times is causing e-commerce platforms and merchants to increasingly hold inventory closer to the final consumer, causing a proliferation of stocking points and demand for warehouse space. Labour availability is a major factor in the contract logistics market. Retail and e-commerce, the two highest growth areas, continue to be very labour intensive, and both have highly seasonal demand profiles that further exacerbated the labour supply issue. Longer term we believe that this will drive the case within the contract logistics market for ever increasing levels of capital investment in automation both to reduce the labour requirement and to increase storage density and overall space efficiency.

Through the acquisition and integration of Fast Forward Freight in Europe, EV Cargo added to its contract logistics network a 140,000 sq ft DC in Amsterdam, close to Schiphol Airport, one of Europe's primary air cargo hubs. The Amsterdam DC strengthens EV Cargo's port-centric logistics capability in Europe and reinforces the strategy for our contract logistics segment, which is to focus primarily on storage, fulfilment and value added services as a part of broader integrated international supply chain solutions for customers. Meanwhile in the UK, 2022 was a year of consolidation and organic growth following the opening of two new facilities in 2021 most notably our flag ship multi-user logistics site at Ashby in the East Midlands. The multi-year task of WMS and operational process convergence in contract logistics continued through 2022 working towards the long-term goal of a standard WMS platform and lean ways of working to drive productivity, accuracy, and on-time in-full order dispatch.

Financial review

EV Cargo delivered robust financial performance in 2022 despite high volatility in freight markets, heightened geopolitical unrest, high inflation rates and a macroeconomic slowdown. The group achieved 5% growth in revenue and 19% growth in gross profit in comparison to 2021. Adjusted EBITDA was £69,673k, a reduction of 14% in comparison to 2021.

At 31 December the Group had net assets of £55,394k (2021: £8,098k) and net current liabilities of £6,518k (2021: net current assets of £36,623k).

EVCH UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

	2022 £ 000	As restated 2021 £ 000
Revenue	1,147,254	1,090,588
Gross profit	163,563	137,685
Gross profit margin	14%	13%
Adjusted EBITDA* (note 5)	69,673	80,577
Free cash flow** (note 32)	11,253	10,656
Net debt*** (note 31)	65,027	27,678

*Adjusted earnings before tax, interest, depreciation and amortisation (EBITDA) excludes the effects of items in the income statement derived from within the ordinary activities of the company which are not expected to occur regularly and which may have an impact on the quality of earnings.

**Free cash flow represents cash generated from operating activities including dividend income, payments in respect of lease liabilities and acquisitions of property, plant and equipment.

***Net debt is the amount by which the Group's total debt (including short-term and long-term debt) exceeds its total liquid assets (cash and easily exchanged equivalents).

Revenue has been restated as set out in note 43.

Revenue

Overall group revenue was up 5% in 2022. The air and sea segment remained fairly flat, despite the acquisition of Fast Forward Freight, mainly due to reduction of freight rates and the economic slowdown in the second half of the year. Road segment achieved good revenue growth of 10% and contract logistics of 36%, both driven by the acquisition of Fast Forward Freight.

Revenue growth in 2022 was impacted both by freight rates continuing to normalize back to pre-pandemic levels and by volumes softening year on year in the final quarter as subdued consumer demand resulted in a flat peak season on the run in to Christmas.

	2022 £ 000	2021 £ 000
Air and sea	735,903	725,195
Road	364,220	330,853
Contract logistics	47,131	34,540
Total revenue	**1,147,254**	**1,090,588**

Gross profit growth in 2022 was impacted both by freight rates continuing to normalize back to pre-pandemic levels and by volumes softening year on year in the final quarter as subdued consumer demand resulted in a flat peak season on the run in to Christmas while gross profit margins improved from 13% in 2021 to 14% in 2022. This was driven by strong commercial execution and integration of Fast Forward Freight which has enriched the volume mix with a greater portion of higher margin in air export volume.

For EV Cargo, it was also a year of investments and integration. We have completed three acquisitions, resulting in investing cash outflow of £21,725k and incurrence of a Vendor Loan of £18,521k both contributing to the increase in the net debt. We have further invested in expansion in Asia with spend in facilities as well as people. This investment and economic slowdown in the second part of the year resulted in the overall reduction in net profit.

Looking forward, our focus is to continue the expansion in Asia, as well as to drive accelerated volume growth by new customer acquisition and by exploiting our uniquely substantial white space for cross-selling to increase our share of wallet with our installed customer base by providing innovative and resilient supply chain solutions.

Going concern

In considering the going concern assessment, the Board has undertaken a rigorous assessment of going concern assumptions using the base case financial forecasts and also a severe but plausible downside scenario covering the 18 months from the date of signing 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 our operational activity, and our 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 we have analysed and assessed the potential impact on our operations.

Cyber Security

All organisations continue to face significant and increasingly complex cyber security threats. Improving our 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 we harmonise the technologies and techniques used across our business, especially as we integrate new acquisitions onto our global platform. We have made excellent progress 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 we have invested well 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 us to deploy the best technology to every part of EV Cargo. This approach has dramatically improved the visibility of all aspects of our IT infrastructure, allowing us 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 EV Cargo 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 EV Cargo continues to plan for a meaningful proportion of our volume growth coming from taking market share. The availability of capacity across all transportation modes has improved since 2022, and coupled with the strength of carrier relationships and the volume scale that EV Cargo enjoys, we remain confident in being able to secure the required capacity to enable our planned growth.

Risk assessment: LOW

Climate Change

To date, EV Cargo has not experienced any direct impacts from sustainability and climate change issues. Our primary concern in this regard is managing any disruption to our customers supply chains and flow of goods. Our owned and leased locations worldwide are not in high- risk areas, and volume from high-risk countries such as Bangladesh will ultimately switch elsewhere if impacted. Over the longer term, the impact of climate change on overall global GDP growth and the volume of world trade would have a high impact, however.

Risk assessment: LOW

Competition & Technology

EV Cargo's fleet is procured on staggered lease agreements, which provides our operations with embedded flexibility. We have a relatively low energy usage for our size, as most locations are offices. However, we are adopters of proven technologies to optimise energy use, and any migration to electric or hybrid fleet technology could be executed in an orderly manner with no write-off.

Risk assessment: LOW

End Market

We have a secular demand profile enabled by serving a wide variety of industry segments, and the global network enables us to be flexible in following changing sourcing patterns. Customers decide the transport mode they wish to use, and we can switch air to sea and road to rail to meet their needs. Any increased costs can be passed on from customer choices on sustainable routing options.

Risk assessment: LOW

Regulation

Through the office of the Chief Sustainability Officer, EV Cargo has excellent forward visibility and understanding of the developing regulatory landscape. As a fundamentally asset-light business, our relatively small base of fleet and warehouses is primarily leased with a high degree of flexibility. EV Cargo is a relatively low user of water and energy; our primary environmental impact is carbon and related emissions from global transportation operations. We have a clear strategic road map for reducing carbon emissions in line with the Science Based Target initiative, starting with scope 1 and 2 neutrality by 2030.

Risk assessment: LOW

Reputation

Primary risk areas here focus on our UK fleet operations, and relate to incidents such as road traffic accidents, compliance failures or fuel leakage. As a result, these potential flashpoints are tightly managed. Most EV Cargo locations are offices with low local impact and safety risk, while logistics facilities tend to be away from residential areas and have high safety standards. We have robust policies and procedures to monitor the compliance of our overseas subsidiaries and joint ventures to minimise risk, and we prefer to use high-quality tier 1 and 2 air, ocean and road carriers to maximise service quality and minimise the risk of reflected reputational damage.

Risk assessment: LOW

Financial risk management

The Group's 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.

Credit Risk:

The Group has policies in place that require appropriate credit checks on potential customers before sales are made and has credit insurance which provides cover over a number of customer balances. The finance teams review credit limits, customer balances and potential exposure on a regular basis.

Liquidity Risk:

The Group 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:

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

Risk assessment: LOW

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 Fast Forward Freight Group ('FFF') and group's expansion in Greater China region.

Our governance

EV Cargo's 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 the EV Cargo mission, vision, values and purpose.

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. The 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, Express and Technology. Functional boards include; Group Financial Performance, Legal, Risk, Tax & Property, Digital & IT, Human Resources, Marketing and Operations.

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.

Customers:
Customers are critical to the group's economic success. The group's mission is to manage supply chains for the world's leading brands and to this end, communication and engagement with customers is critical. Customers' data is collected on an ongoing basis via various means and regular customer reports are produced for management and are regularly shared with directors.

The group has a dedicated Business Development team to actively engage with existing and prospective customers. Major customers are engaged with regularly. The Board receives regular reports on progress with customer relationships to ensure that their decision making takes into account the needs of the customer base.

Suppliers:
The group works closely with our suppliers on whom we depend to help us deliver the services we offer our customers. The group works with a large number of suppliers who vary vastly in size. The Board ensures that the group maintains good relationships 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, the group aims to ensure that our values and principles are upheld.

Colleagues:
Our colleagues are our most valuable assets at EV Cargo. 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. As of 31 December 2022, EV Cargo employed 2,965 employees globally, comprising 31% females and 69% males. This includes the employees who joined as part of our acquisition of two freight forwarding businesses in Europe, in 2022, and the growth in our air and sea freight operations in Asia. Our overall rate of new hires was 47%, with employees in the 30-50 years old age range contributing to the largest proportion, or 48%, of our overall new hires. Our overall rate of turnover was 14%.

At EV Cargo we have been on a journey over the past number of years to embed our 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, an additional 647 colleagues took part in our annual Employee Engagement Survey and participation increased across the business, increasing our engagement rate to 71%.

In 2022, we continued to assess and monitor where we can improve our Health and Safety practices, rolling out additional training, engaging our 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, we launched our Health and Safety Strategy Vision internally for 2023-2028. This new strategy vision focuses and sets our commitment across key pillars of our SHEQ programme; Wellbeing, Culture, Engagement, Competence, Technology and Efficiency. By focusing on these pillars, we believe we can drive forward our SHEQ performance to move from safety being driven by compliance or management, to being driven by empowered individuals.

At the heart of EV Cargo is a commitment to creating a fair and equitable working environment for all employees We recognise the value of encouraging diversity and inclusion in helping us achieve our strategic success. As part of our aspiration to create a more equitable workplace, we seek to demonstrate best practice in our people management policies and practices. In 2022, our 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, we also completed the Target Gender Equality, an accelerator programme to deepen implementation of gender equality in companies participating in the UN Global Compact.

In 2022, we reviewed our 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 our employees with better support. We also expanded our training and development function and focused on developing our internal competency model, which supports our recruitment and development materials.

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 a responsible group, we want to play our part in addressing environmental challenges, in line with the expectations of our customers, our 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 Fast Forward Freight

The group acquired Fast Forward Freight in March 2022, a successful freight forwarding business headquartered in the Netherlands. This acquisition is a key milestone in our corporate growth strategy, expanding our European network and enabling further development opportunities with a business that is highly complementary to EV Cargo's current activities and would lead to higher returns to our shareholders.

Fast Forward Freight has significant expertise in automotive, marine engineering and aerospace sectors and this acquisition allowed us to significantly expand the group's European network and brought meaningful scale in trade lanes. The new colleagues who joined EV Cargo through this acquisition are expected to help us serve our existing customers better and win new business.

Key decision: Group's expansion in Greater China and Asia region

In line with our growth strategy we have formalised plans to expand our operations in Asia. During the year we saw great success with our organic expansion in mainland China and also across Southeast Asia, completing the recruitment of our expanded regional teams, establishing operating entities in the target markets and rapidly scaling up our operational readiness. This expansion complements our existing network of third party agents and joint ventures in Asia with a deeper and integrated offering of service from our own offices, people and systems. As well as allowing for increased value added services and solutions to customers, the expansion of our own office footprint will also enable us to be far more effective in business development locally in these fast growing markets. This would lead to higher returns to our shareholders.

Approved by the Board of Directors on 29 January 2024 and signed on its behalf by:

H B Zarin
Director

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited consolidated financial statements for the year ended 31 December 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 suppliers, customers and other stakeholders.

Principal activity

The principal activity of the company is as the holding company for a group of companies engaged in the businesses of global freight forwarding, supply chain management, express palletised distribution, contract logistics and related technology services.

Directors of the company

The directors, who held office during the year and up to the date of signing these financial statements were as follows:

H B Zarin

C A Buntrock (resigned 4 July 2022)

P W Coutts (appointed 4 July 2022)

S Y J Lau (resigned 23 March 2023)

S R Pearson

C M Tan (appointed 4 July 2022)

S J Williams (resigned 4 July 2022)

Employment of disabled persons

Where reasonable and within existing legislation the group treats all persons, including disabled persons, in the same way in matters relating to employment, training, career development and promotion. Our internal policies aim to ensure recruitment, employment and promotion decisions are based solely on an individual's ability and potential, regardless of their gender, race, colour, ethnic origin, sexual orientation, religious belief, age, disability, marital status (including civil partnership), pregnancy, maternity or gender identity. In particular, applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitudes of the person concerned.

In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues, including making any reasonable adjustments to their role, and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement

Our colleagues are critical to the success of our group. EV Cargo is committed to regular communication with employees to provide them with information relating to their work and the group's performance and business environment. This is achieved through a variety of means, ranging from team meetings, various newsletters and annual Employee Engagement Survey.

The Directors actively engage through regular briefings directly with employees. Employees are given the opportunity to develop and progress according to their ability.

The effect of employee engagement on the principal decisions made by the group can be found in the section 172 statement included within the Strategic Report.

Other stakeholder engagement

Stakeholder engagement is important to the group and EV Cargo has a diverse group of stakeholders. Exchanges of information happen on a regular basis as the actions of stakeholders can have an effect on the group.

The Board are made aware of the needs and requirements of these stakeholders through regular discussions with the departments who have the contact with the stakeholders. Any concerns are raised and the Board acts to ensure that feedback is built into future decision making.

Examples of other stakeholders include: customers, suppliers, shareholders, communities and the environment, government and regulators. The Directors recognise the need to foster business relationships with all stakeholders.

The effect of other stakeholder engagement on the principal decisions made by the group can be found in the section 172 statement included within the Strategic Report.

Directors' liabilities

The Company has made qualifying third-party indemnity provision for the benefit of its Directors during the financial year and also at the date of approval of those financial statements.

Important non adjusting events after the financial year

The group acquired the remaining 60% of the shares of Allport Netherlands B.V. for the total consideration of €41,000k on 29 March 2023, making it a fully owned subsidiary after the acquisition date. As part of the transaction, the group also acquired the remaining shares in EV Cargo Global Forwarding BV in Belgium to become the sole shareholder of the business. This strategic acquisition further increases our European network, strengthening our European freight forwarding and logistics execution platform and enables further development opportunities with a business that is highly complementary to EV Cargo's current activities. The acquisition was partly funded by a term loan with HSBC Plc of £25,000k, which is now due for repayment in March 2025.

Two of the group's subsidiaries have a secured invoice financing facility operated by Investec, that has a quarterly covenant requirement based on minimum EBITDA. Post year end the minimum EBITDA covenant threshold has been reset and continues to be monitored by management.

Post year end, the debt of £12,800k held by one of the subsidiaries, repayable in October 2024 was amended and extended to December 2027.

Streamlined Energy and Carbon Reporting (SECR)

It is our belief that leading companies across the globe have a responsibility to protect the environment for generations to come. Continual investment in technology, systems and processes allow us to reduce carbon emissions, minimise waste products and cut energy usage. We understand that the logistics and supply chain sector plays a vital role in the way the world economy operates, and we want to lead the way in providing a sustainable future.

In keeping with this ethos, EVCH UK Limited made significant reductions in CO_2e emissions in 2022 from our revised Science Based Target Initiative (SBTI) baseline year of 2021. Despite new acquisitions in 2022, we reduced our emissions from fuel usage by 14% (Scope 1), our electricity and gas emissions by 17% (Scope 2), and reduced our indirect third-party emissions by 31% (Scope 3). Our total CO_2e emissions were reduced from 542,332 tonnes in 2021 to 383,844 tonnes in 2022, a reduction of 29%. This reduction reflects our near and long term SBTI ambitions:

- To reach net-zero GHG emissions across the value chain by 2050.
- To reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2021 base year.
- To increase annual sourcing of renewable electricity from 0% in base year 2021 to 100% by 2030.
- To reduce absolute scope 3 GHG emissions from upstream transportation and distribution 25% within the same timeframe.
- To reduce absolute scope 1 and 2 GHG emissions by 97% by 2050 from a 2021 base year.
- To reduce absolute Scope 3 GHG emissions by 90% by 2050 from a 2021 base year

Several businesses were acquired in 2022 by our Global Forwarding division accounting for 16 additional offices, all of which have been accounted for in our annual data collection and are reported below for Scope 1 and Scope 2. These emissions include those for the full year regardless of when they were acquired in that year. Without their inclusion EVCH UK Limited would have seen a reduction of 15% and 35% respectively for Scope 1 and 2 compared to 2021.

Greenhouse gas emissions and energy consumption

In this section of this report:
• "GHG" means greenhouse gas.
• "kWh" means kilowatt hours; and
• "tCO_2e" tonnes of carbon dioxide equivalent.

Energy emissions for an annual period of reference are stated below in relation to each fuel source:

EVCH UK Limited and its subsidiaries – 1 January 2022 to 31 December 2022:

Fuel	**kWh**	**%**	**tCO_2e**	**%**
Electricity (Scope 2)	5,027,735	2.3	1,080.6	0.3
Gas (Scope 2)	857,230	0.4	152.0	0.0
Diesel & Petrol (Scope 1)	184,038,925	84.4	44,392.8	11.6
Liquefied Petroleum Gas (LPG) (Scope 1)	10,584,507	4.9	2,270.1	0.6
Hydrotreated vegetable oil (HVO)	17,515,021	8.0	62.8	0.0
Sub-total Scope 1 and Scope 2	*218,023,418*	*100.0*	*47,958.3*	*12.5*
Fuel, heating and electricity (Scope 3 category 3)			10,903.5	2.8
Upstream transportation and distribution (Scope 3 category 4)			324,982.0	84.7
Total Scope 1, Scope 2 and Scope 3			383,843.8	100
Intensity metric (tCO_2e per £m of revenue)			**334.6**	

EVCH UK Limited and its subsidiaries – 1 January 2021 to 31 December 2021:

Fuel	**kWh**	**%**	**tCO_2e**	**%**
Electricity (Scope 2)	6,175,334	2.6	1,339.3	0.2
Gas (Heating, Scope 2)	830,030.7	0.3	143.3	0.0
Diesel & Petrol (Scope 1)	218,641,735	92.0	51,837.5	9.6
Liquefied Petroleum Gas (LPG) (Scope 1)	12,066,454	5.1	2,588	0.5
Sub-total Scope 1 and Scope 2	*237,713,554*	*100.0*	*55,908.1*	*10.3*
Fuel, heating and electricity (Scope 3 category 3)			13,009.9	2.4
Upstream transportation and distribution (Scope 3 category 4)			473,414.2	87.3
Total Scope 1, Scope 2 and Scope 3			542,332.2	100.0
Intensity metric (tCO_2e per £m of revenue)			**497.3**	

The 2021 results have been amended with new data as a result of improved data collection and reporting procedures.

The following methodologies were used to calculate the above quantities:

- Data collected from the energy suppliers' invoices was provided by group staff located within each of the individual operating companies.
- Where no invoice or meter reading data for electricity or gas was available for a particular location due to utility bills being paid by the landlord, the consumption for that location was excluded.
- Commercial vehicles are also fuelled using fuel cards and these are exclusively used for business purpose. Fuel cards are used to measure the quantity of fuel dispersed from bunkered fuel at the depot and for 'on road fills ups' at fuel service stations.
- Scope 1 greenhouse gas (GHG) emissions are derived from fuel consumed within the organisation (diesel, petrol, LPG), while Scope 2 GHG emissions are from electricity and gas consumed in the buildings.
- Data is reported for sources of environmental impact over which the group has financial control.
- Scope 3 GHG emissions comprise of emissions associated with extraction, refining and transportation of raw fuel (prior to combustion), emissions associated with grid losses in electricity transmission and distribution, and upstream transportation and distribution. These are the significant categories of Scope 3 emissions that are included for calculations as the other categories do not exceed the 1% threshold of our total Scope 3 emissions.

- To account for emissions from upstream transportation and distribution, we are following a framework developed by the Global Logistics Emission Council (GLEC) – the GLEC Framework is a globally recognized methodology for harmonized calculation and reporting of the logistics GHG footprint across the multi-modal supply chain which can be implemented by shippers, carriers and logistics service providers. The GLEC Framework is aligned to the Greenhouse Gas Protocol, the UN-led Global Green Freight Action Plan, and Carbon Disclosure Project (CDP) Reporting. We are also using EcoTransIT World, an IT tool accredited by the GLEC Framework and compliant with the GHG Protocol to calculate our emissions across our supply chain (Scope 3 Category 4, upstream transportation and distribution emissions) and compliant with the new ISO 14083 Greenhouse gases — *Quantification and reporting of* greenhouse gas emissions arising from transport chain operations. We are also able to breakdown these indirect emissions by transport mode using the same software (see table below). Our extended Scope 3 accounting in 2022 and 2021 was made possible with the use of the GHG Protocol recommended tool Quantis. We estimated our emissions from categories 1,2,5,6,7,8 and 15 (see Annexes 5 & 6 for definitions) with Quantis by using our expenditure on related goods and services to calculate the related carbon emissions.

Total EVC 2022 Emissions by Transport Mode:

Mode	Tonnes of CO_2e
Road freight	134,509.4
Air freight	137,481.1
Sea freight	52,947.7
Rail freight	43.8
Total EVC Scope 3 Category 4 (tCO2e)	324,982.0

Efficiency and Decarbonisation measures taken.

During the year, the following were the principal measures taken by the group for the purpose of increasing the group's energy efficiency and decarbonising its processes:

- Hydrotreated vegetable oil (HVO) came into use in our road fleet in 2022, beginning at Gwent Park, one of our major logistics hubs where trucks are given the option to use this fuel in place of normal diesel, before being rolled out to a further four sites. HVO, being a renewable fuel, has the potential to reduce over 90% of carbon emissions and also contains lower amounts of fine particulates, less nitrogen oxides (Nox) and lower carbon monoxide (CO) emissions. Overall, 1,764,000 litres of HVO were used, replacing an equivalent amount diesel, which amounts to 4,449 tonnes of CO_2e emissions reduced.
- A number of sites within our Global Forwarding and Logistics divisions switched their electricity supply to 100% renewable sources, accredited by the Renewable Energy Guarantees of Origin (REGO) scheme. The savings from our Scope 2 emissions for 2022 amounted to 442 tCO_2e.
- To reduce electricity consumption and Scope 2 emissions, EV Cargo's warehouses also use low energy lighting, PIR controlled lighting and undergo strict recycling processes to reduce waste materials.
- EV Cargo is operating the UK FMCG industry's first all-electric, zero-emission HGV as part of a significant sustainability partnership with one of its key customers, The Park. This zero-emission HGV will reduce the company's carbon footprint by saving 17,500 litres of diesel per year and 47,347 kg/CO_2e, including 651 kg/N_2O, among other air pollutants.
- Palletforce updated their entire fleet of forklift trucks with newer, more efficient models that helped reduce overall LPG consumption by 14%.
- UK FM reduced, consolidated and updated their entire fleet of trucks with newer, more efficient models that helped reduce overall diesel consumption by 36%.
- Euro VI vehicles with the latest technology.
- Double deck trailers with aerodynamic profile.
- Longer length trailers with 15% extra capacity.
- Investment in latest generation TMS, improving routing and reducing empty running.
- SAFED driver training programme improving driver performance.
- Fleet wide telematics linked to TMS driving fuel efficiency.
- The group utilises state-of-the-art technology to plan routes to maximise the life expectancy of tyres, oil and parts, and infrastructure. Our extensive network of distribution centres and transparent communication processes around the globe ensure that routes are planned systematically.

EVCH UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Due to the nature of the group's business which involves a large number of third-party logistics providers, 86% of Scope 3 emissions (or 324,982 tCO_2e) (see Annex 6, Category 4) comprise emissions from upstream transportation and distribution. Some initiatives taken to reduce the Scope 3 emissions include co-loading of less than containerload, use of rail freight where possible (over road), and twinning of 20 feet containers.

EV Cargo's overall Scope 1, 2 and 3 GHG emissions intensity has improved from 489.7 tCO_2e per £m of revenue in 2021 to 335.66 tCO_2e per £m of revenue in 2022. Some initiatives taken to reduce the Scope 3 emissions include co-loading of less than containerload, use of rail freight where possible (over road), and twinning of 20 feet containers.

EV Cargo's direct GHG emissions intensity (Scope 1 and 2) has also seen an improvement, from 50.5 tCO_2e per £m of revenue in 2021 to 41.9 tCO_2e per £m of revenue in 2022. Improvements have been made in route planning, reduction of empty running and use of longer length trailers with 15% extra capacity.

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 group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 group and company and of the profit or loss of the group 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 UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to the independent auditors

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

Appointment of independent auditors

The auditors PricewaterhouseCoopers LLP were appointed under section 487(2) of the Companies Act 2006.

The financial statements on pages 20 to 92 were approved by the Board on 29 January 2024 and signed on its behalf by:

H B Zarin
Director

Independent auditors' report to the members of EVCH UK Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- EVCH UK Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements 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 consolidated financial statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Balance Sheet, as at 31 December 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows 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 group 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 group's and the parent 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 group's and the parent 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.

Independent auditors' report to the members of EVCH UK Limited (continued)

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.

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 the 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 the Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' Report for the 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 group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of EVCH UK Limited (continued)

Responsibilities for the financial statements and the audit (continued)

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 group 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 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;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, in particular in relation to the valuation of assets; and
- 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. 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 parent 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.

Independent auditors' report to the members of EVCH UK Limited (continued)

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 parent 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 parent company 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

EVCH UK LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £ 000	2021 £ 000 (restated – see note 43)
Revenue	4	1,147,254	1,090,588
Cost of sales		(983,691)	(952,903)
Gross profit		163,563	137,685
Administrative expenses		(151,427)	(140,262)
Other operating income	8	1,854	5,341
Operating profit	9	13,990	2,764
Finance income		515	688
Finance cost		(11,369)	(8,375)
Net finance cost	10	(10,854)	(7,687)
Share of profit of equity accounted investees	18	4,779	6,284
Profit before tax		7,915	1,361
Taxation	14	(535)	2,670
Profit for the year		7,380	4,031
Profit attributable to:			
Owners of the company		6,743	1,941
Non-controlling interests		637	2,090
		7,380	4,031

The above results were derived from continuing operations.

The notes on pages 28 to 92 form an integral part of these financial statements.

EVCH UK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £ 000	2021 £ 000 (restated – see note 43)
Profit for the year		7,380	4,031
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment benefit obligations (net of taxation)		(3,577)	16,474
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gains		448	769
Movement in non-controlling interests' share of net assets		130	409
		(2,999)	17,652
Total comprehensive income for the year		4,381	21,683
Total comprehensive income attributable to:			
Owners of the company		3,614	19,184
Non-controlling interests		767	2,499
		4,381	21,683

The notes on pages 28 to 92 form an integral part of these financial statements.

EVCH UK LIMITED

(REGISTRATION NUMBER: 05015923)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 £ 000	2021 £ 000 (restated – see note 43
Assets			
Non-current assets			
Property, plant and equipment	15	21,246	15,439
Right-of-use assets	16	103,992	82,323
Intangible assets	17	91,898	32,773
Equity accounted investments	18	8,924	12,913
Other non-current financial assets	19	46	192
Deferred tax assets	14	3,379	12,345
		229,485	155,985
Current assets			
Inventories	20	924	575
Trade and other receivables	21	254,701	316,687
Contract assets	4	10,179	11,845
Income tax asset	14	5,026	1,681
Cash and cash equivalents	22	34,190	47,080
		305,020	377,868
Total assets		534,505	533,853
Equity and liabilities			
Equity			
Share capital	23	188	188
Share premium	24	89,240	89,240
Foreign currency translation reserve	25	5,392	4,944
Merger reserve	25	(101,035)	(101,035)
Capital contribution reserve	25	43,500	-
Retained earnings		15,073	11,907
Equity attributable to owners of the company		52,358	5,244
Non-controlling interests		3,036	2,854
Total equity		55,394	8,098

The notes on pages 28 to 92 form an integral part of these financial statements.

EVCH UK LIMITED

(REGISTRATION NUMBER: 05015923)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

Equity and liabilities (continued)	**Note**	**2022 £ 000**	**2021 £ 000 (restated – see note 43**
Non-current liabilities			
Loans and borrowings	26	28,875	24,775
Lease liabilities	27	100,686	87,344
Deferred Consideration		500	-
Provisions	28	7,860	3,743
Deferred tax liabilities	14	8,148	6,846
Amounts owed to related parties	29	-	43,500
Retirement benefit obligations	30	21,504	18,302
		167,573	184,510
Current liabilities			
Trade and other payables	29	216,875	262,792
Loans and borrowings	26	70,342	51,209
Lease liabilities	27	23,616	18,969
Income tax liability	14	705	8,275
		311,538	341,245
Total liabilities		479,111	525,755
Total equity and liabilities		534,505	533,853

The financial statements on pages 20 to 92 were approved by the Board of Directors on 29 January 2024 and signed on its behalf by:

H B Zahn
Director

The notes on pages 28 to 92 form an integral part of these financial statements.

EVCH UK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £ 000	Share premium £ 000	Foreign currency translation reserve £ 000	Merger reserve £ 000	Capital contribution reserve £000	Retained earnings £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 January 2022 (as previously stated)	188	89,240	4,944	(101,035)	-	41,283	34,620	2,854	37,474
Prior year restatement	-	-	-	-	-	(29,376)	(29,376)	-	(29,376)
At 1 January 2022 (restated)	188	89,240	4,944	(101,035)	-	11,907	5,244	2,854	8,098
Profit for the year	-	-	-	-	-	6,743	6,743	637	7,380
Other comprehensive (expense)/income	-	-	448	-	-	(3,577)	(3,129)	130	(2,999)
Total comprehensive (expense)/income	-	-	448	-	-	3,166	3,614	767	4,381
Transactions with owners in their capacity as owners:									
Loan waiver (note 25)	-	-	-	-	43,500	-	43,500	-	43,500
Transactions with non-controlling interests	-	-	-	-	-	-	-	(585)	(585)
At 31 December 2022	188	89,240	5,392	(101,035)	43,500	15,073	52,358	3,036	55,394

The notes on pages 28 to 92 form an integral part of these financial statements.

EVCH UK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £ 000	Share premium £ 000	Foreign currency translation reserve £ 000	Merger reserve £ 000	(Accumulated losses)/ Retained earnings £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 January 2021	188	89,240	4,175	(57,535)	(6,508)	29,560	665	30,225
Profit for the year (restated – see note 43)	-	-	-	-	1,941	1,941	2,090	4,031
Other comprehensive income	-	-	769	-	16,474	17,243	409	17,652
Total comprehensive income	-	-	769	-	18,415	19,184	2,499	21,683
Transactions with owners in their capacity as owners:								
Organisation restructuring	-	-	-	(43,500)	-	(43,500)	-	(43,500)
Transactions with non-controlling interests	-	-	-	-	-	-	(310)	(310)
At 31 December 2021 (restated – see note 43)	188	89,240	4,944	(101,035)	11,907	5,244	2,854	8,098

The notes on pages 28 to 92 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £ 000	2021 £ 000 (restated – see note 43)
Cash flows from operating activities			
Profit for the year		7,380	4,031
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	9	32,687	31,524
Impairment	17	-	35,680
Impairment (reversal)/charge of equity accounted investments	18	4,717	(214)
Profit on disposal of property, plant and equipment	8	(117)	(5,036)
Finance income	10	(515)	(688)
Finance costs	10	11,369	8,375
Share of profit of associated companies	18	(4,779)	(6,284)
Income tax expense	14	535	(2,670)
Foreign exchange (gain)/loss	9	(999)	307
Other		(50)	420
		50,228	65,445
Working capital adjustments:			
Increase in inventories		(349)	(219)
Decrease/(increase) in trade and other receivables		102,167	(139,541)
(Decrease)/increase in trade and other payables		(102,887)	114,537
Decrease in retirement benefit obligation net of actuarial changes		(1,878)	(425)
Increase in provisions		317	827
Cash generated from operations		47,598	40,624
Income taxes paid		(6,305)	(2,602)
Net cash flow from operating activities		41,293	38,022
Cash flows from investing activities			
Acquisitions of property plant and equipment		(5,248)	(9,631)
Acquisition of intangible assets		(2,011)	(1,342)
Proceeds from sale of property, plant and equipment		150	23,770
Dividend income		4,295	5,665
Interest received		118	688
Acquisition of a subsidiary, net of cash acquired	36	(21,725)	-
Net cash flows from investing activities		(24,421)	19,150

The notes on pages 28 to 92 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £ 000	2021 £ 000 (restated – see note 43)
Cash flows from financing activities			
Interest paid		(11,057)	(8,375)
Net movement in invoice discounting		18,322	20,561
Repayment of loans		(17,967)	(23,622)
Payments in respect of lease liabilities		(24,058)	(19,430)
Repayment of loans to related parties		-	(1,948)
Repayment of loans from related parties		5,000	-
Net cash flows from financing activities		(29,760)	(32,814)
Net (decrease)/increase in cash and cash equivalents		(12,888)	24,358
Cash and cash equivalents at 1 January		45,854	21,496
Effect of exchange rate fluctuations on cash held		1,224	-
Cash and cash equivalents at 31 December	22	34,190	45,854

The notes on pages 28 to 92 form an integral part of these financial statements.

1 General information

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

The address of its registered office is:
Phoenix House
Oxford Road
Gerrards Cross
England
SL9 7AP

2 Accounting policies

Basis of preparation and statement of compliance

The group financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. The company has elected to prepare its parent company financial statements in accordance with FRS 101.

The financial statements have been prepared on a historical cost basis 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 group operates. Monetary amounts in these financial statements are rounded to the nearest £1,000.

Application of merger accounting

As part of group restructuring, during the year ended 31 December 2021 the group acquired businesses outside the group but with the same ultimate parent company, further described in Note 25. In line with IFRS 3, Business Combinations, the group has applied the principles of merger accounting. Accordingly, comparative periods present the results and financial position for the current group as though it had always existed.

New standards, interpretations and amendments adopted

A number of new or amended standards became applicable for the current reporting year and as a result the group has applied the following standards:

- Reference to the Conceptual Framework (amendments to IFRS 3)
- Property, plant and equipment – proceeds before intended use (amendments to IAS 16)
- Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)
- Annual improvements to IFRS Standards 2018-2020

The above requirements did not have a material impact on the Group and have been adopted without restating comparatives.

At the date of the approval of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

- IFRS 17 – Insurance contracts
- Classification of liabilities as current or non-current (amendments to IAS1)
- Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of accounting estimates (amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

Based on the initial assessment, the Directors anticipate that adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the group.

2 Accounting policies (continued)

Going concern

In considering the going concern assessment, the Board has undertaken a rigorous assessment of going concern assumptions using the base case financial forecasts and also a severe but plausible downside scenario covering the 18 months from the date of signing 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.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

A subsidiary is an entity controlled by the company. Control is achieved when the investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group. The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Where the group loses control of a subsidiary, the assets and liabilities are derecognised along with any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an investee. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Accounting policies (continued)

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.

Revenue recognition

Revenue represents the total amount receivable for services provided, excluding sales related taxes. The company recognises revenue from contracts with customers as the performance obligations to deliver services under these contracts are satisfied. A typical shipment would include services rendered at origin, such as pick-up and delivery to port, freight services from origin to destination port and destination services, such as customs clearance and final delivery. These services are considered a single performance obligation satisfied over time. Contracts with customers do not contain variable consideration that would be considered material and would represent a separate revenue stream. Transaction prices are clearly defined in the contracted terms with customers and are allocated to identified obligations according to the relative standalone selling prices. The company disaggregates revenue into two material revenue streams which are made up of logistics revenue and international freight forwarding, further details of which are explained below:

Freight forwarding:

Revenue from goods and services delivered is recognised in accordance with the over-time recognition principle following the satisfaction of various milestones as the performance obligation is fulfilled towards the customer. Our main services comprise shipment of goods by air, ocean and road.

Import: (recognised over time)
Import revenue is earned from international shipment of customers goods and services on a per order basis. A typical shipment would include: services rendered at origin, such as pick-up and delivery to port, freight services from origin to destination port and destination services, such as customer clearance and final delivery. These services are considered to represent one single performance obligation settled over-time. Fulfilment of the performance obligation is measured as services are rendered based on the status of the shipment.

Export: (recognised over time)
Export revenue is earned by picking up customers goods and delivering them to port on a per order basis. The contractual performance obligation of the Group is therefore to deliver goods and services to port ready for international shipping. Revenue is recognised over-time based on the status of the shipment up to the ship's date of departure, at this time the goods become the responsibility of the customer and no further services are rendered.

Technology revenue: (recognised over time by time elapsed)

Technology revenue is earned from the provision of services relating to licence, subscription, maintenance, and support services of the group's freight forwarding software. Performance obligations to customers are to provide access to the platform and to stand-ready to provide maintenance and support services, the group acts as principle for both performance obligations. Revenue is recognised on a time-elapsed basis over the period of the contract as this best reflects the transfer of services to customers. Technology revenue is billed at regular intervals so are not adjusted for the effects of the time value of money.

Logistics:

Solutions revenue: (recognised over time)

Solutions revenue is earned by the facilitation of distribution services via arrangements with third parties on a per order basis. Performance obligations to the customer are for the safe delivery of goods from pick-up location to final destination. For solution services the group act as principal and recognise revenue on a gross basis, with the cost of delivery recorded in fulfilment costs. Despite the performance obligation being satisfied when goods reach their final destination, revenue is recognised over time based on services rendered because another entity would not need to substantially re-perform any work completed to date in order to fulfil the remaining performance obligation.

2 Accounting policies (continued)

Distributions revenue: (recognised over time)

Distribution revenue is earned by providing transport and logistic services to customers from pick-up location to final destination on a per order basis. In addition to the delivery of the goods, customers can utilise the groups pallet network to facilitate delivery. The provision of delivery services and the use of the pallet network are considered to represent separate performance obligations and are charged for separately. Fulfilment of both performance obligations are satisfied when the goods have reached their final destination. Despite the performance obligation being satisfied when goods reach their final destination, revenue is recognised over time based on services rendered because another entity would not need to substantially re-perform any work completed to date in order to fulfil the remaining performance obligation.

Storage revenue: (recognised over time by time elapsed)

Storage revenue is earned through the provision of warehousing of customers goods, at no point does ownership of the goods transfer to the group. Performance obligations to customers are to provide warehousing services over time. Revenue is recognised on a time-elapsed basis over the period of the contract as this best reflects the transfer of the services to customers. Storage revenue is billed at regular intervals so there is no need to consider the effects of the time value of money.

Segment reporting

The group has three operating segments: Freight Forwarding, Logistics and Corporate & Eliminations. In identifying these operating segments, management generally follows the group's service lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods or services.

For management purposes, the group uses the same measurement policies as those used in its financial statements, except for certain items not included in determining the operating profit of the operating segments, as follows:

- post-employment benefit expenses.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received, and the group will comply with the conditions associated with the grant. Government grants relating to costs are deferred and recognised in the Consolidated Income Statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable. The group received such support from governments in connection with its response to the COVID-19 pandemic. This support included furlough and job retention scheme reliefs and the scheme has been utilised as it was intended in order to avoid redundancies in areas of the business that have been significantly impacted by the pandemic. The group have elected to recognise the grant as an item of other income and not as a credit against the related staff costs.

Operating expenses

Operating expenses, which excludes finance income and finance costs, are recognised in profit or loss upon utilisation of the service or as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 Accounting policies (continued)

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. They are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the GBP are translated into GBP upon consolidation. The functional currencies of entities within the group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into GBP at the closing rate. Income and expenses have been translated into GBP at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Tax

The tax expense for the year 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 group operates and generates taxable income.

Deferred income tax is generally recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill. 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 from suitable taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2 Accounting policies (continued)

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 set out below. Depreciation methods, useful lives and residual values are reviewed at each reporting date. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Asset class	Depreciation method and rate
Freehold buildings	50 years straight line
Freehold improvements	5 years straight line
Plant and equipment	2 -10 years, at a rate reflecting their usage
Fixtures and fittings	2 -10 years, at a rate reflecting their usage

Business combinations

Acquisition method:

All business combinations where the target entity is not an entity under common control with the acquiring entity are accounted for by applying the acquisition method. Business combinations for target entities not under common control with the acquiring entity are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The group measures goodwill at the acquisition date as:
• the fair value of the consideration transferred; plus
• the recognised amount of any non-controlling interests in the acquiree; plus
• the fair value of the existing equity interest in the acquiree; less
• the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Merger method:

In accordance with the requirements of IFRS 3 Business Combinations, all business combinations where the target entity is under common control with the acquiring entity are accounted for by applying the merger accounting method.

With merger accounting, the carrying values of the assets and liabilities of the parties to the merger are not required to be adjusted to fair value, although appropriate adjustments are made to achieve uniformity of accounting policies where necessary. Accordingly, the comparative periods present the results and financial position for the current group as though it had always existed, as disclosed in Note 2 (Application of merger accounting) in respect of the group restructuring taking place during the year as disclosed in Note 25 (Merger reserve).

2 Accounting policies (continued)

Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Intangible assets

Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is not subject to amortisation but is tested for impairment. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Internally generated intangible assets are recognised only if they satisfy the IAS 38 criteria in that a separately identifiable asset is created from which future economic benefits are expected to flow and the cost can be measured reliably. The life of each asset is assessed individually. Where the life is considered to be indefinite no amortisation is charged.

Included in intangible assets are internally generated assets related to the costs incurred to develop new computer software. Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet all of the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the group intends to and has sufficient resources to complete the project;
- the group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Any internally generated intangible assets not yet complete are not amortised but is subject to impairment testing.

Intangible assets acquired in a business combination that qualify for separate recognition are measured at fair value on acquisition less accumulated amortisation and accumulated impairment losses.

Separately acquired intangible fixed assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on the maintenance of computer software and patents & trademarks are expensed as incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 Accounting policies (continued)

Amortisation

Amortisation is provided on intangible assets, except for goodwill which is subject to impairment reviews, so as to write off the cost, less any estimated residual value, on a straight-line basis, over their expected useful economic life. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

Asset class	Amortisation on straight-line basis
Computer software	2-5 years
Patents & trademarks	10-20 years
Customer lists	10-15 years

Investments

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the group's share of profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interests in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

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 the right to receive the payments is established.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and integral cash management facilities.

Trade receivables

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

At each reporting date, inventories are assessed for impairment. If inventory is 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.

2 Accounting policies (continued)

Trade payables

Trade payables 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 payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. 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 income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Invoice discounting

The group's trade receivables include receivables that are subject to invoice discounting arrangements. Under this arrangement the group receives advances against those trade receivables and is prevented from selling or pledging the receivables. However, the group has retained late payment and credit risk and continues to recognise those trade receivables in their entirety in the statement of financial position. The cash flows received from the trade receivables are treated as operating inflows in the statement of cash flows with associated financing outflows deemed to repay invoice financing liability recognised on the advances made.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle that obligation and amounts can be estimated reliably. The group has recognised dilapidations, onerous lease, terminal and other provisions.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Any reimbursement that the group is virtually certain to collect from a third party with respect to a provision is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Leases

Definition

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

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

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the group has made an accounting policy election, by class of underlying asset, to account for both components as a single lease component.

2 Accounting policies (continued)

Initial recognition and measurement

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

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate. The lease payments are discounted by using the rate implicit in the lease; if this rate cannot be readily determined, the group uses its incremental borrowing rate. The incremental borrowing rate is calculated by assessing the current costs of borrowing, considering rates of invoice discounting, loan arrangements, bond yield curves and bank benchmark interest rates.

The current lease liability has been calculated as the expected movement in the lease liability in the next 12 months.

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

Subsequent measurement

After the commencement date, the group measures the lease liability by:
(a) increasing the carrying amount to reflect interest on the lease liability;
(b) reducing the carrying amount to reflect the lease payments made; and
(c) re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest charges on the lease liability are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease. Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy for impairment of non-financial assets.

Lease modifications

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

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

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

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

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

2 Accounting policies (continued)

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

Sale and leaseback

In a sale-and-leaseback transaction the group transfers an underlying asset to another entity and leases that asset back from the buyer-lessor. If a sale is deemed to have taken place, the group de-recognises the underlying asset and applies the lessee accounting model to the leaseback arrangement. A right-of-use asset is recognised based on the retained portion of the previous carrying amount of the asset and only the gain or loss is recognised related to the rights which are transferred to the lessor. If a sale has not been deemed to have taken place, the group continues to recognise the underlying asset and recognise a finance liability. Further details of gain or losses following sale-and leaseback transactions are provided in Note 37.

Short term and low value leases

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

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

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

Sub leases

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

After classification lessor accounting is applied to the sublease.

Impairment of non-financial assets

The carrying amounts of the group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of any impairments loss (if any). For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows projected over a 3-year period, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

2 Accounting policies (continued)

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Equity, reserves and dividend payments

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. Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into GBP.
- Merger reserve – comprises of adjustments arising as a result of the application of merger accounting for group restructuring.

Retained earnings includes all current and prior period retained profits or losses. All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when they become legally payable, which is when the dividends have been approved by the shareholders in a general meeting.

Defined contribution pension obligation

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a pension fund and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, they are discounted to their present value.

Defined benefit pension obligation

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The group determines the net interest expense (income) on the net defined benefit liability/(asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

2 Accounting policies (continued)

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The group recognises these immediately in other comprehensive income (which are subsequently not reclassified to profit or loss) and service costs (which includes current service costs, past service costs and gains and losses on curtailment and settlements) in employee benefit expenses in profit or loss. Net interest expense (income) is recognised within finance costs in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the group in connection with the settlement.

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount the group expects to pay as a result of the unused entitlement.

Financial instruments

Initial recognition

Financial assets are initially recognised at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability. All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e., the date on which the group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e., the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the marketplace. Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial assets are classified into one of the following three categories:
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 Accounting policies (continued)

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:
· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Derecognition

Financial assets

The group derecognises a financial asset when:
- the contractual rights to the cash flows from the financial asset expire;
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:
- financial assets that are debt instruments;
- accounts and other receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

The group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the group recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the group recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the group recognises the lifetime ECL.

The group measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

For trade receivables, the group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Adjusting items

Adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because of their size of nature, or because they are nonrecurring and are considered to be exceptional items. They are presented within the line items to which they best relate.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. 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.

Estimates:
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.

The critical accounting judgements and key sources of estimation uncertainty that have had the most significant effect on amounts recognised in the financial statements are set out below.

Estimate - Impairments and recoverable amount of cash generating units:

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. The directors perform detailed cash flow projections over a 3 year period of the cash generating units including estimates of EBITDA which were made taking into account past experience and adjusted for the future business outlook and expected changes in the market place and cost base. The directors have performed a detailed cash flow of the recoverability of the cash generating units and, following impairments processed during the year, are confident that the carrying value reflects the value to be realised from the cash generating units in the foreseeable future. Further details are included in Note 17.

Estimate - Pension scheme:

The defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The assumptions selected and associated sensitivity analysis are disclosed in Note 30.

Judgement - Acquisition accounting:

The acquisition of Fast Forward Freight requires purchase price accounting considerations in line with IFRS 3. Given the size of the acquisition there is significant judgement and complexity in determining the fair value of the assets and liabilities purchased. The acquisition accounting involves the valuation of a number of intangible assets using valuation methodologies that require a number of key assumptions to be applied, such as, forecast cash flows, discount rates and margin. The valuation of consideration settled in shares is based on the valuation of the Group's equity value which involves a number of key assumptions. Further details are included in Note 36.

Revenue recognition:

Judgement – principal vs agent

Most customer contracts are under British International Freight Association (BIFA) terms. These are typically Non-Vessel Operating Common Carrier (NVOCC) arrangements which mean there are two parties with the Company being responsible for the shipping of goods from origin to destination. Principal vs agent is clear in these contracts as the Company is responsible for delivering the goods.

There are a smaller number of customers who have their own contracts, and whilst most of these also mirror this NVOCC structure, a number are Beneficial Cargo Owner (BCO) contracts where the customers directly negotiate separate pricing arrangements with the carriers. This tripartite arrangement is common in the industry and is accompanied by trading custom and practice. The Company is also principal in these contracts as set out below.
a) Primary responsibility for fulfilment
The Company holds the relationship with the carriers and provides instructions to them. The Company can make a decision to optimise the deliveries or redirect the goods as required. If the carrier cannot move the goods, the Company would use other carriers to find alternative solutions.

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

The Company is the primary contact for customer service. Whilst under certain circumstances the end customer has a contract directly with the carriers, in the customer's point of view, the Company is still the entity that is primarily responsible for fulfilling the promise to deliver the goods which suggests that they are considered as principal in these transactions.

b) Inventory
The Company bears the inventory risks due to factors such as physical damage, or, for example total loss such as if the container falls off the ship. This suggests that the entity is considered as principal in these transactions.

c) Pricing
Based on the information provided above, although contracts are with the customer and the carriers, the Company still has discretion in establishing the prices, noting the preferential rates for certain volumes in the contract and detention and demurrage costs are passable on to the extent they are not the Company's fault.

The Company can make a loss if they badly manage the carriage. If there was a dispute, the Company is still responsible for paying the carrier. This suggests that the entity is considered as principal in these transactions.

Estimate – year end adjustment for revenue recognition over time

The Company's contracts have a single performance condition, being the delivery of goods to the end customer, which is satisfied over time as goods are transported from start location to the end destination. Although the process to satisfy the contract is more complex, and contains various obligations and costs, the Directors consider that broadly the overall performance condition is satisfied in a linear way over the time it takes to fulfil the contracted terms. Therefore, the Company recognises revenue over the contract fulfilment period. The impact on the cut off and recognition of revenue between accounting periods is only relevant for those shipments in transit at year end.

Management has assessed the revenue to be recognised as £10,179k out of a possible £25,694k (costs of £9,051k out of a possible £23,147k) at year end. For the comparative year, revenue of £11,845k out of a possible £69,712k (costs of £11,845k out of a possible £59,045k) at year end.

Judgement – adjusting items:

The group exercises its judgement in the classification of certain items as adjusting items and outside of the Company's underlying results. The determination of whether an item should be separately disclosed as an adjusting items requires judgement on its materiality, nature and incidence, as well as whether it provides clarity on the Company's underlying trading performance. In exercising this judgement, the company takes appropriate regard of IAS 1 'Presentation of financial statements' as well as guidance issued by the Financial Reporting Council on the reporting of adjusting items and alternative performance measures. The overall goal of the Company's financial statements is to present the Company's underlying performance without distortion from one-off or non-trading events regardless of whether they are favourable or unfavourable to the underlying result. Further details of the individual adjusting items, and the reasons for their disclosure treatment, are set out in note 6.

4 Revenue

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

	2022 £ 000	2021 £ 000 (restated – see note 43)
Air and sea freight	735,903	725,195
Road freight	364,220	330,853
Contract logistics	47,131	34,540
	1,147,254	1,090,588

During the year the group has changed its definition of segments and therefore the above note is represented.

4 Revenue (continued)

The analysis of the group's revenue for the year arising in the following geographical areas is as follows:

	2022 £ 000	2021 £ 000 (restated – see note 43)
United Kingdom	843,076	917,810
Rest of Europe	176,795	86,834
Rest of the World	127,383	85,944
	1,147,254	1,090,588

The above revenue is recognised in accordance with the over-time recognition principle, as set out in the Revenue recognition accounting policy in Note 2. As a consequence of this, contract assets and contract liabilities arise from the group's operations.

Trade receivables arising from contracts with customers are disclosed in Note 21 to the financial statements.

Contract assets relate to services performed under contracts with customers where payment is not due from the customer until the services are complete. A contract asset is recognised over the period in which the services are performed to represent the group's right to consideration for the services transferred to date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. At the balance sheet date, the group had the following contract assets:

	2022 £ 000	2021 £ 000 (restated – see note 43)
Right to consideration for services transferred to date	10,179	11,845

There are no contract assets arising from costs incurred to obtain or fulfil a contract with a customer and consequently no amortisation charges or impairment charges arose.

As the group's contracts are for completion of services within the next 12 months of the balance sheet date, the practical expedient in paragraph 121(a) of IFRS 15 applies not requiring disclosure about remaining performance obligations at the balance sheet date.

There are no contract liabilities in relation to amounts received in advance of delivery of services (2021: £nil).

5 Operating profit

a. Adjusted EBIT

EBIT represents operating profit before income tax. Adjusted EBIT excludes the effects of adjusting items which may have an impact on the quality of earnings. Adjusted EBIT reconciles to the operating profit as follows:

	2022 £ 000	2021 £ 000
Operating profit	13,990	2,764
Share of profit of equity accounted investees	4,779	6,284
EBIT	18,769	9,048
Adjusting items (note 6)	23,701	44,458
Adjusted EBIT	42,470	53,506

5 Operating profit (continued)

b. Adjusted EBITDA

Adjusted EBITDA is the key profit measure that is focused on by our executive board when reviewing business performance and in making strategic decisions. This measure is then reported in our accounts in accordance with IFRS 8 "Segmental reporting". Adjusted EBITDA represents earnings before interest, tax, depreciation and amortisation and other adjusting items. Adjusting items are those items that are added back in our management reporting to ensure that business performance can be understood. They are likely to be those items that are significant in nature, often relate to non-trading activities, and are unlikely to reoccur. These include, but are not limited to, restructuring costs, corporate finance and M&A activity, onerous costs that have since been mitigated in the business, start up and integration costs related to major new markets or territories, and associated legal and professional fees. There may also be other management exceptional items which are costs which fall outside the definition of exceptional costs typically used for statutory purposes but it is the view of the executive board that these costs should be highlighted in order that the underlying profit of the Group can be fully evaluated:

	2022 £ 000	2021 £ 000
Operating profit	13,990	2,764
Share of profit of equity accounted investees	4,779	6,284
Amortisation and depreciation	32,687	31,524
EBITDA	51,456	40,572
Adjusting items (note 6)	18,217	40,005
Adjusted EBITDA	69,673	80,577

6 Adjusting items

The below adjustments are disclosed separately in the Group statement of comprehensive income and are applied to the reported profit before tax to arrive at the adjusted EBIT and EBITDA. Further information about the determination of adjusting items in financial year 2022 are included in note 2.

	2022 £ 000	2021 £ 000
Restructuring and redundancy expenses	3,827	2,842
Transition and integration costs in relation to new M&A projects	3,945	-
Professional fees for non-recurring consultancy fees and software development	1,891	1,196
Impairment of goodwill, intangibles and property plant and equipment	-	21,909
Impairment of right of use assets	-	13,730
Impairment of investments	4,560	-
Large bad debts due to customers going into arbitration or administration	1,934	5,320
Other non-recurring adjusting items	2,060	-
(Gain) from sale of properties	-	(4,992)
Adjusting items to EBITDA	18,217	40,005
Amortisation of acquired intangibles	5,484	4,453
Adjusting items to EBIT	23,701	44,458

6 Adjusting items (continued)

Restructuring and redundancy expenses

Redundancy roles – As part of group's integration plan, certain roles at the management level and divisional level were made redundant. Management deemed these high-level redundancy costs to be nonrecurring in nature and classified as adjusting items. Those were £467k (2021: £2,482k).

As a result of restructuring of certain divisions the group incurred £3,215k of one off costs. There were further costs incurred in relation to rebranding of some offices of £143k. Management deemed these restructuring costs to be non-recurring in nature.

Transition and integration costs in relation to new M&A projects

In March 2022, EV Cargo Global Forwarding Limited, a subsidiary of EVCH UK Limited, acquired 100% of the share capital of Fast Forward Freight B.V. (and subsidiaries). The Group incurred transaction and integration fees in respect of these business combinations totalling £3,135k at December 2022. Due to the strategic expansion in Asia the total costs of £810k were incurred in y/e 31 December 2022 in relation to the start-up costs and opening new offices. These one-off charges are not considered to be part of the day-to-day operational costs of the Group and therefore have been treated as adjusting items.

Professional fees for non-recurring consultancy fees and software development

Professional fees in relation to non-recurring consultancy expenses are non-trading expenses that management add back in monitoring business performance. Those relate to consultancy in relation to M&A projects, software development, business restructuring and other one-off projects.

Impairment of goodwill and intangibles

The Group recognised one-off impairment charges in relation to the goodwill, intangibles and property plant and equipment of £nil (2021: £21,909k). Those are treated as adjusting items.

Large bad debts due to customers going into arbitration or administration

Large bad debts due to the customers going into arbitration or administration are treated as adjusting items due to one-off nature of those expenses. This only relates to two specific bad debt and not general bad debt provisioning process.

Impairment of right of use assets

The Group recognised impairment charges in relation to the right of use assets for loss making sites as well as excess fleet in 2021 of £13,730k. Those are treated as adjusting items.

Impairment of investments

The Group recognised impairment in relation to its associate - CS Airfreight (Shanghai) of £4,560k.

Other non-recurring adjusting items

Other non-recurring adjusting items relate to one off expenses that are deemed non trading and non-part of normal business operations that management add back in monitoring business performance. Those include costs in relation to terminal repairs of £869k and onerous contract for printers of £365k in 2022.

Amortisation of acquired intangibles

Amortisation of acquired intangibles that arose from external acquisitions as well as from the transfer of entities as part of EV Cargo's historical internal restructuring are treated as adjusting items. Management is of the view that the amortisation of goodwill for purposes of restructuring is non-operating in nature and thus excluded such amounts from the adjusted EBIT (no impact on EBITDA).

During the year 31 December 2021 certain properties were disposed of and a profit on disposal was recognised in the accounts. As those were strategic disposals, profits were non-operating in nature and treated as adjusting items.

7 Segmental reporting

The operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the Chief Operating Decision Maker, which considered to be the Board, to assess performance and allocate capital. The group has three operating segments:

- Air and sea freight – this part of the business offers air and sea freight forwarding activities and related supply chain technology services globally. These include origin cargo management services such as consolidation and quality control, in addition to destination services including customs clearance, cross border e-commerce fulfilment, storage and final mile delivery services. Customers use the EV Cargo platform to source, select, order, ship, track, clear customs and deliver their international shipments.
- Road freight - this part of the business involve the door-to-door movements of domestic and intra-European shipments, where we operate solutions for less-than-truckload (LTL) and full-truckload (FTL).
- Contract logistics- this part of business involve the provision of logistics and supply chain management services for large retail and manufacturing customers. These include a combination of warehouse and final mile distribution underpinned by strategic assets. We provide inventory management and order fulfilment services, order picking, repacking and labelling along with associated inbound transportation and outbound distribution.

These segments reflect the group's organisation around differences in services provided to the external customers.

During the year segments were redefined and therefore 2021 segmental disclosure was represented.

Segment information for the reporting year is as follows:

2022	Air and sea freight £ 000	Road freight £ 000	Contract logistics £ 000	Corporate & eliminations £ 000	Total £ 000
Revenue:					
From external customers	735,903	364,220	47,131	-	1,147,254
From other segments	2,987	12,779	-	(15,766)	-
Segment revenues	738,890	376,999	47,131	(15,766)	1,147,254
Cost of sales	(643,717)	(322,008)	(30,745)	12,779	(983,691)
Gross profit	95,173	54,991	16,386	(2,987)	163,563
EBIT	10,002	(2,312)	10,395	684	18,769
Depreciation and amortisation	10,342	20,398	1,529	418	32,687
EBITDA	20,344	18,086	11,924	1,102	51,456
Adjusting items	12,776	1,487	446	3,508	18,217
Adjusted EBITDA	33,120	19,573	12,370	4,610	69,673
Segment assets	378,434	224,634	26,722	(95,285)	534,505
Segment liabilities	271,692	240,545	28,094	(61,220)	479,111

7 Segmental reporting (continued)

2021 (restated)	Air and sea freight £ 000	Road freight £ 000	Contract logistics £ 000	Corporate & eliminations £ 000	Total £ 000
Revenue:					
From external customers	725,195	330,853	34,540	-	1,090,588
From other segments	2,158	15,983	-	(18,141)	-
Segment revenues	727,353	346,836	34,540	(18,141)	1,090,588
Cost of sales	(621,446)	(325,735)	(21,616)	15,894	(952,903)
Gross profit	105,907	21,101	12,924	(2,247)	137,685
EBIT	42,364	(37,970)	6,616	(1,962)	9,048
Depreciation and amortisation	7,003	22,479	1,537	505	31,524
EBITDA	49,367	(15,491)	8,153	(1,457)	40,572
Adjusting items	2,903	30,584	4,581	1,937	40,005
Adjusted EBITDA	52,270	15,093	12,734	480	80,577
Segment assets	335,050	224,072	27,287	(52,556)	533,853
Segment liabilities	224,443	247,044	25,944	28,324	525,755

The group's non-current assets (other than investments accounted for using the equity method, deferred tax assets and post-employment benefits) are located into the following geographic regions:

	2022 £ 000	2021 £ 000 (restated – see note 43)
United Kingdom	129,771	122,788
Rest of Europe	85,771	7,132
Rest of the World	1,594	615
Total	217,136	130,535

Non-current assets are allocated based on their physical location.

Revenues from external customers in the group's domicile, United Kingdom, as well as major markets have been identified on the basis of the customer's geographical location.

During 2022 and 2021 no single customer contributed more than 10% to the Group's revenue.

8 Other operating income

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

	2022 £ 000	2021 £ 000
Net gain on disposal of property, plant and equipment	117	5,036
Net loss on disposal of investments	(157)	-
Rent receivable	2	125
R&D claims received /government grants received	94	39
Dividend income from trade investments	243	-
Miscellaneous other operating income	1,555	141
	1,854	5,341

Included in the net gain on disposal of property, plant and equipment is a profit of £nil (2021: £3,484k) recognised in relation to a sale-and-leaseback arrangement, as further disclosed in Note 37 to the consolidated financial statements.

9 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2022 £ 000	2021 £ 000 (restated – see note 43)
Depreciation of property, plant and equipment	4,163	4,220
Depreciation of right-of-use assets	20,951	20,824
Amortisation of intangible assets	7,573	6,480
Impairment charge	-	35,680
Costs of inventory recognised as an expense	30,814	26,186
Lease costs expensed for assets not capitalised – Short-term leases	869	733
Foreign exchange (gain)/loss*	(2,697)	307

* Included in "Administrative expenses" in the consolidated income statement.

10 Finance income and costs

	2022 £ 000	2021 £ 000
Finance income:		
Interest receivable from related parties	397	593
Bank interest received	85	95
Other interest received	33	-
Total finance income	515	688
Finance costs:		
Interest expense for related parties	-	(118)
Interest expense for loan notes	-	(44)
Bank interest expense	(1,964)	(2,020)
Interest expense on leases	(5,029)	(3,970)
Interest expense on other finance liabilities	(3,929)	(1,538)
Cost of debt	(135)	(135)
Total interest expense	(11,057)	(7,825)
Net interest expense on defined benefit liability	(312)	(550)
Total finance cost	(11,369)	(8,375)
Net finance cost	(10,854)	(7,687)

11 Staff costs

The aggregate payroll costs (including director" remuneration) were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	106,891	82,396
Social security costs	11,928	8,308
Other pension costs	4,235	3,867
	123,054	94,571
Amounts capitalised as development costs	(1,016)	(572)
	122,038	93,999

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

	2022 No.	2021 No. (restated – See note 43)
Cost of sales	2,007	1,817
Administration and other	746	581
	2,753	2,398

12 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	1,035	786
Contributions paid to money purchase schemes	2	27
	1,037	813

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

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	5	3

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	447	357
Company contributions to money purchase pension schemes	-	-
	447	357

Two directors receive no remuneration as directors of EVCH UK and any remuneration they receive is paid by Emergevest. A further two directors receive no remuneration for their services to EVCH UK as they are also directors of Global Forwarding U.K. limited and received £687k from that company for services as directors of that company.

13 Auditors' remuneration

	2022 £ 000	2021 £ 000
Audit of the company's financial statements	743	175
Audit of the financial statements of subsidiaries	1,032	615
	1,775	790
Other fees to auditors:		
Taxation compliance services	208	-
Taxation advisory services	291	-

14 Taxation

Tax charged/(credited) in the income statement:

	2022 £ 000	2021 £ 000 (restated – see note 43)
Current taxation:		
UK corporation tax on profits for the year	2	5,038
Adjustment in respect of prior years	(4,367)	(693)
Foreign tax	1,246	1,702
Total current income tax	(3,119)	6,047
Deferred taxation:		
Current year	272	(6,880)
Deferred tax adjustment relating to previous years	2,719	235
Effect of changes in tax rates	663	(2,072)
Total deferred taxation	3,654	(8,717)
Tax expense/(credit) in the income statement	535	(2,670)

Other comprehensive income items:

Deferred taxation	(1,192)	4,588

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

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 substantively enacted rates have been appropriately reflected in the calculation of deferred tax in the financial statements.

The group is within the scope of the OECD Pillar two model rules. Pillar two legislation was recently substantively enacted in some of the territories in which the group operates and will come into effect in these territories from 1 January 2024. At the reporting date, none of the Pillar two legislation is effective and so the group has no related current tax exposure. In light of IAS 12 recent amendments (still subject to UK endorsement) which clarify that Pillar two related balances are not within the scope of IAS 12 for deferred tax purposes and provide an exception on this basis, the group has developed an accounting policy where no deferred taxes arising from the implementation of the Pillar two model rules are provided. The group has commenced their Pillar two impact analysis but is, as yet, not in a position to provide quantified analysis of the potential future impact.

14 Taxation (continued)

The differences are reconciled below:

	2022 £ 000	2021 £ 000 (restated – see note 43)
Profit before tax – continuing operations	7,915	1,361
Corporation tax at standard UK rate of 19% (2021:19%)	1,504	259
Effects of:		
Adjustments in respect of prior years	(1,648)	(458)
Expenses not deductible	1,908	4,555
Income not taxable	(2,159)	(4,350)
Long funding lease adjustments	-	(357)
Fixed asset timing differences	-	(477)
Tax rate changes	663	(2,072)
Effects of overseas tax rates	278	45
Group relief	-	-
Exempt items	-	1
Amounts not recognised	891	24
Share of associates profit after tax	(902)	-
Other	-	160
Total tax expense/(credit)	535	(2,670)

Amounts recognised in other comprehensive income:

	Before tax £ 000	2022 Tax (expense)/ benefit £ 000	Net of tax £ 000
Remeasurements of post-employment benefit obligations (net)	(4,769)	1,192	(3,577)

	Before tax £ 000	2021 Tax (expense)/ benefit £ 000	Net of tax £ 000
Remeasurements of post-employment benefit obligations (net)	21,062	(4,588)	16,474

Income tax balances

Corporation tax current (assets) and liabilities:

	2022 £ 000	2021 £ 000 (restated – see note 43)
Corporation tax (asset)	(5,026)	(1,681)
Corporation tax liability	705	8,275
Net corporation tax balance	(4,321)	6,594

14 Taxation (continued)

Deferred tax balances

Deferred tax (assets) and liabilities:

	2022 £ 000	2021 £ 000 (restated – see note 43)
Deferred tax (assets):		
Recoverable within 12 months	(1,129)	(2,035)
Recoverable after 12 months	(2,250)	(10,310)
	(3,379)	(12,345)
Deferred tax liabilities:		
Payable within 12 months	768	4
Payable after 12 months	7,380	6,846
	8,148	6,850
Net deferred tax (assets)	4,769	(5,495)

	2022 £ 000	2021 £ 000 (restated – see note 43)
Provision at start of year	(5,495)	(1,308)
Deferred tax charge/(credit) to income statement for the year	935	(8,953)
Adjustment in respect of prior years	2,719	235
Deferred tax charge/(credit) in other comprehensive income for the year	(1,192)	4,588
Movement arising from the acquisition or disposal of business	7,802	-
Other	-	(57)
Provision at end of year	4,769	(5,495)

	2022 £ 000	2021 £ 000 (restated – see note 43)
Fixed asset timing differences	1,992	(2,281)
Temporary trading timing differences	(1,103)	(539)
Temporary non-trading timing differences	(8)	-
Tax losses	(912)	(32)
Research & development expenditure credit	(17)	(27)
Intangibles arising on business combinations	10,174	1,960
Defined benefit pension obligations	(5,357)	(4,576)
Net deferred tax balance	4,769	(5,495)

Deferred tax assets are recognised on the basis of future taxable profits, in excess of profits arising from the reversal of existing taxable temporary differences, forecast to arise within the tax group in the foreseeable future.

15 Property, plant and equipment

	Land and buildings £ 000	Plant and equipment £ 000	Fixtures & fittings £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	18,413	23,847	2,789	45,049
Additions	2,574	2,575	99	5,248
Acquisition through business combination	4,975	206	13	5,194
Disposals	(1,415)	(473)	(49)	(1,937)
Foreign exchange movements	168	105	50	323
Reclassifications	-	21	(21)	-
At 31 December 2022	24,715	26,281	2,881	53,877
Accumulated depreciation				
At 1 January 2022 (as previously stated)	8,479	18,272	2,258	29,009
Prior year restatement	498	103	-	601
At 1 January 2022 (restated)	8,977	18,375	2,258	29,610
Charge for the year	1,806	2,177	180	4,163
Disposals	(1,459)	(430)	(15)	(1,904)
Foreign exchange movements	338	315	95	748
Reclassifications	-	16	(2)	14
At 31 December 2022	9,662	20,453	2,516	32,631
Carrying amount				
At 31 December 2022	15,053	5,828	365	21,246
At 31 December 2021	9,436	5,472	531	15,439

	Land and buildings £ 000	Plant and equipment £ 000	Fixtures & fittings £ 000	Total £ 000
Cost or valuation				
At 1 January 2021	38,297	22,826	3,303	64,426
Additions	2,667	6,381	583	9,631
Disposals	(22,750)	(4,401)	(296)	(27,447)
Foreign exchange movements	(401)	(293)	(11)	(705)
Reclassifications	600	(666)	(790)	(856)
At 31 December 2021 (restated)	18,413	23,847	2,789	45,049
Accumulated depreciation				
At 1 January 2021	8,937	16,442	2,448	27,827
Charge for the year	1,320	2,671	229	4,220
Disposals	(1,678)	(523)	(200)	(2,401)
Impairment (restated)	498	103	-	601
Foreign exchange movements	(104)	(314)	(12)	(430)
Reclassifications	4	(4)	(207)	(207)
At 31 December 2021 (restated)	8,977	18,375	2,258	29,610
Carrying amount				
At 31 December 2021 (restated)	9,436	5,472	531	15,439
At 31 December 2020	29,360	6,384	855	36,599

16 Right-of-use assets

	Land and buildings £ 000	Plant and equipment £ 000	Fixtures & fittings £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	95,028	41,226	856	137,110
Additions	10,629	17,193	-	27,822
Modifications	5,645	761	-	6,406
Acquisition through business combination	7,665	154	-	7,819
Terminations	(790)	(7,767)	-	(8,557)
Foreign exchange movements	431	-	-	431
Reclassifications	-	-	-	-
At 31 December 2022	118,608	51,567	856	171,031
Depreciation				
At 1 January 2022 (as previously stated)	20,941	19,745	371	41,057
Prior year restatement	6,908	6,822	-	13,730
At 1 January 2022 (as restated)	27,849	26,567	371	54,787
Charge for the year	12,486	8,353	112	20,951
Terminations	(790)	(7,726)	-	(8,516)
Foreign exchange movements	(157)	(24)	(2)	(183)
Reclassifications	-	-	-	-
At 31 December 2022	39,388	27,170	481	67,039
Carrying amount				
At 31 December 2022	79,220	24,397	375	103,992
At 31 December 2021	67,179	14,659	485	82,323

	Land and buildings £ 000	Plant and equipment £ 000	Fixtures & fittings £ 000	Total £ 000
Cost or valuation				
At 1 January 2021	73,230	40,358	-	113,588
Additions	24,539	6,912	-	31,451
Terminations	(2,718)	(6,042)	-	(8,760)
Foreign exchange movements	(23)	(2)	-	(25)
Reclassifications	-	-	856	856
At 31 December 2021 (restated)	95,028	41,226	856	137,110
Depreciation				
At 1 January 2021	13,109	15,312	-	28,421
Charge for the year	10,205	10,455	164	20,824
Terminations	(2,483)	(6,022)	-	(8,505)
Impairment (restated)	6,908	6,822	-	13,730
Foreign exchange movements	110	-	-	110
Reclassifications	-	-	207	207
At 31 December 2021 (restated)	27,849	26,567	371	54,787
Carrying amount				
At 31 December 2021 (restated)	67,179	14,659	485	82,323
At 31 December 2020	60,121	25,046	-	85,167

17 Intangible assets

As part of assessing the carrying amount of goodwill there is a requirement to assess the recoverable amounts of the operating assets within each CGU. This identified that as at 31 December 2021 the value in use was lower than the carrying value of the assets by £35,680k. This impairment charge has been allocated against goodwill (£16,356k), other intangible assets (£4,993k), Right-of-use-assets (£13,730k) and property, plant and equipment (£601k).

	Goodwill purchased & arising on consolidation £ 000	Computer software £ 000	Patents & trademarks £ 000	Customer lists £ 000	Total £ 000
Cost or valuation					
At 1 January 2022	27,416	9,496	16,413	30,259	83,584
Additions, separately acquired	-	921	74	-	995
Additions, internally developed	-	1,016	-	-	1,016
Acquisition through business combination	33,008	1,663	-	26,899	61,570
Disposals	-	-	-	-	-
Foreign exchange movements	1,792	91	-	1,222	3,105
Reclassifications	-	(348)	348	-	-
At 31 December 2022	62,216	12,839	16,835	58,380	150,270
Amortisation					
At 1 January 2022 (as previously stated)	4,353	5,109	10,292	11,192	30,946
Prior year restatement	14,913	-	-	4,952	19,865
At 1 January 2022	19,266	5,109	10,292	16,144	50,811
Amortisation charge	-	1,857	1,931	3,785	7,573
Disposals	-	-	-	-	-
Foreign exchange movements	(26)	(2)	-	29	1
Reclassifications	-	(58)	45	-	(13)
At 31 December 2022	19,240	6,906	12,268	19,958	58,372
Carrying amount					
At 31 December 2022	42,976	5,933	4,567	38,422	91,898
At 31 December 2021	8,150	4,387	6,121	14,115	32,773

17 Intangible assets (continued)

	Goodwill purchased & arising on consolidation £ 000	Computer software £ 000	Patents & trademarks £'000	Customer lists £ 000	Total £ 000
Cost or valuation					
At 1 January 2021	28,135	8,309	16,413	30,259	83,116
Additions, separately acquired	-	770	-	-	770
Additions, internally developed	-	572	-	-	572
Disposals	(1,265)	(155)	-	-	(1,420)
Foreign exchange movements	546	-	-	-	546
At 31 December 2021	27,416	9,496	16,413	30,259	83,584
Amortisation					
At 1 January 2021	3,827	3,193	8,405	8,662	24,087
Amortisation charge	-	2,030	1,887	2,563	6,480
Impairment loss recognised (restated)	16,356	41	-	4,952	21,349
Disposals	(1,265)	(155)	-	-	(1,420)
Foreign exchange movements	348	-	-	(33)	315
At 31 December 2021	19,266	5,109	10,292	16,144	50,811
Carrying amount					
At 31 December 2021	8,150	4,387	6,121	14,115	32,773
At 31 December 2020	24,308	5,116	8,008	21,597	59,029

Amortisation charges for the years ended 31 December 2022 and 31 December 2021 are included within administrative expenses.

Goodwill by reportable segment

	Air & sea freight £ 000	Road freight £ 000	Contract logistics £ 000	Corporate & eliminations £ 000	Total £ 000
Cost or valuation					
At 1 January 2021	1,046	23,262	-	-	24,308
Foreign exchange movements	198	-	-	-	198
Impairment loss recognised	-	(16,356)	-	-	(16,356)
At 1 January 2022	1,244	6,906	-	-	8,150
Recognised on acquisitions (see note 36)	31,503	1,505	-	-	33,008
Foreign exchange movements	1,792	26	-	-	1,818
At 31 December 2022	34,539	8,437	-	-	42,976

17 Intangible assets (continued)

Cash-generating units

The Directors consider that each subsidiary in the group is an individual cash-generating unit ('CGU'). Goodwill has been allocated and monitored for impairment testing purposes to groups of individuals CGUs within the same brand. The following table analyse goodwill by CGU grouping.

	2022 £ 000	2021 £ 000
Global Forwarding	1,244	1,244
Fast Forward Freight	33,295	-
Palletforce	6,932	6,906
Dobbs	1,505	-
	42,976	8,150

Impairment of goodwill

The group tests goodwill annually for impairment or more frequently if there are indications of impairment. Goodwill is tested for impairment by comparing the carrying amount of each cash-generating unit with the recoverable amount. The recoverable amounts are determined based on value in use calculations. The fair value measurement is categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The group uses cash flow projections based on the latest Board approved forecasts which include estimates of EBITDA which were made taking into account past experience and adjusted for the future business outlook and expected changes in the marketplace and cost base. The pre-tax cash flows are discounted to pre-tax discount rates based on the group's beta adjusted cost of capital reflecting management's assessment of specific risks related to each cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources, together with the group's views on the future achievable growth and the impact of committed cash flows. Cash flows beyond this are extrapolated using the estimated long-term growth rates summarised in the table below.

	2022			2021		
	Weighted average risk adjusted discount rate	Growth rate 1 to 5 years	Long term growth rate	Weighted average risk adjusted discount rate	Growth rate 1 to 5 years	Long term growth rate
Global Forwarding	13.0%	1.3%	2.2%	12.0%	3.0%	3.0%
Fast Forward Freight	13.0%	1.3%	2.2%	n/a	n/a	n/a
Palletforce	13.0%	1.3%	2.2%	9.0%	1.0%	1.0%
Dobbs	13.2%	1.3%	2.2%	n/a	n/a	n/a
Epiphany	n/a	n/a	n/a	9.2%	Years forecasted individually	1.0%

17 Intangible assets (continued)

Impairment of goodwill (continued)
The group has recognised and impairment charge in respect of Epiphany goodwill of £16,356k due to Epiphany underperforming its forecasts as at 31 December 2021. This was processed as a prior year restatement, as described in the note 43. At the end of 2022 financial year the recoverable amount of goodwill in all cash-generating units was in excess of their book value and therefore no impairment has been recognised. The impairment reviews have shown that none of the other cash-generating units were sensitive to changes in the assumptions used in the impairment reviews.

Impairment of other intangible assets
Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant cash generating unit and the fair value less costs to dispose.

The group has recognised and impairment charge in respect of Epiphany customer contracts of £4,952k as at 31 December 2021, due to the loss of certain contracts. This was processed as a prior year restatement, as described in the note 43. At the end of 2022 financial year the recoverable amount of goodwill in all cash-generating units was in excess of their book value and therefore no impairment has been recognised. The impairment reviews have shown that none of the other cash-generating units were sensitive to changes in the assumptions used in the impairment reviews.

Impairment of other operating assets
As part of assessing the carrying amount of goodwill the directors performed a review of the recoverable amounts of the operating assets within each CGU. This identified that as at 31 December 2021 the value in use was lower than the carrying value of the assets by £35,680k. In addition to the impairment charge against goodwill and other intangible assets described above further impairment was allocated against Right of use assets of £13,730k and property, plant and equipment of £601k.

Individually material intangible assets

Patents and trademarks
This includes:

- One asset with a carrying amount of £3,345k (2021: £4,561k) and the remaining amortisation period is 2 years and 9 months (2021: 3 years 9 months).

Customer lists
This includes:

- One asset with a carrying amount of £24,810k (2021: £nil) and the remaining amortisation period is 12 years.
- One asset with a carrying amount of £2,988k (2021: £7,908k) and the remaining amortisation period is 7 years and 3 months (2021: 8 years and 3 months).

18 Equity accounted investments

Full details of the group's and company's subsidiaries, associates and joint ventures at 31 December 2022 are set out in Note 41 to the consolidated financial statements.

	2022 £ 000	2021 £ 000
Equity accounted investments		
Associated companies	8,924	12,913

Summary aggregated financial information of the group's share in associates is as follows:	2022 £ 000	2021 £ 000
Profit from continuing operations	4,779	6,284
Other comprehensive income:		
Associated company becoming a subsidiary*	-	(210)
Foreign exchange adjustment	87	909
(Impairment) / impairment reversal	(4,560)	214
Total comprehensive income	306	7,197
Dividends paid	(4,295)	(5,665)
Balance at start of year	12,913	11,381
Balance at end of year	8,924	12,913

* In March 2021, the group's shareholding in Allied Cargo Services Limited (Mauritius) was increased from 40% to 51%. From this date, the company was accounted for as a subsidiary.

Summarised financial information for subsidiaries and material associates

Summarised financial information for the group's subsidiaries is not included as there are no material non-controlling interests.

Summarised financial information for each of the group associates that are material to the group, as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies and the relevant amounts included in the consolidated financial statements.

Allport Netherlands B.V. (40%)	2022 £ 000	2021 £ 000
Non-current assets	286	340
Current assets (a)	12,485	12,380
Total assets	12,771	12,720
Current liabilities (b)	(5,547)	(4,662)
Non-current liabilities (c)	-	-
Total liabilities	(5,547)	(4,662)
Net assets	7,224	8,058

(a) Includes cash and cash equivalents
(b) Includes financial liabilities (excluding trade and other payables and provisions)
(c) Includes financial liabilities (excluding trade and other payables and provisions)

	2022 £ 000	2021 £ 000
Revenue	75,462	54,277
Profit and total comprehensive income for the year	5,875	7,969
Depreciation and amortisation	(98)	(85)
Tax expense	(1,992)	(2,629)

18 Equity accounted investments (continued)

A reconciliation of the summarised financial information to the carrying amount of the investment in Allport Netherlands B.V. is set out below:

Allport Netherlands B.V. (40%)	**2022 £ 000**	**2021 £ 000**
Total net assets	7,224	8,058
Proportion of ownership interests held by group	40%	40%
Carrying amount of the investment	2,890	3,223
Dividends received by the group	2,720	-

Allport Netherlands B.V. is a private company, therefore no market prices are available for its shares. The group has no additional commitments relating to Allport Netherlands B.V..

19 Other non-current financial assets

	2022 £ 000	**2021 £ 000**
Unlisted trade investments	46	192

Companies for which the group holds less than 20% investment, and the directors consider there is no controlling interest:

Name	**Country of incorporation**	**Activity**	**Holding**	**Ownership interest 2022**	**Ownership interest 2021**
Ethical Fashion Group Ltd	United Kingdom	Web portals	Ordinary	<1%	<1%
Maritime Cargo Processing P.L.C.	United Kingdom	Computer Services	Ordinary	2.19%	2.19%
Palletline Limited	United Kingdom	Freight Transportation	Ordinary	2.22%	2.22%
RockIT	Egypt	Freight forwarding	Ordinary	15%	15%
SMT Speed-Mark Forwarders (M) SDN BHD	Malaysia	Freight forwarding	Ordinary	19%	19%

20 Inventories

	2022 £ 000	**2021 £ 000**
Raw materials and consumables	924	575

21 Trade and other receivables

	2022 £ 000	2021 £ 000 (restated – see note 43)
Trade and other receivables comprise the following:		
Trade receivables, gross	201,823	219,205
Less: provision for impairment of trade receivables	(11,519)	(3,409)
Trade receivables, net	190,304	215,796
Other receivables	19,975	21,226
Prepayments & accrued income	35,902	58,753
Amounts owed by related parties	8,520	20,912
	254,701	316,687

Trade receivables have been pledged as security for the' group's other borrowings. The carrying amount of trade receivables pledged as security for liabilities amounted to £63,219k (2021: £40,403k).

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation - fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

All of the group's trade and other receivables have been reviewed for indicators of impairment. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

Both the current and comparative impairment provisions apply the IFRS 9 expected loss model, as set out in the accounting policies in Note 2.

Accrued income relates to amounts where services have been completed but not yet invoiced.

Trade receivables above include amounts that are past due at the end of the reporting year and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

Age of trade and other receivables that are not impaired

	2022 £ 000	2021 £ 000
Not past due to 30 days	110,631	113,801
Past due 31 to 60 days	42,700	66,031
Past due 61 to 90 days	16,894	17,073
Past due more than 91 days	20,079	18,891
	190,304	215,796

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

22 Cash and cash equivalents

	2022 £ 000	2021 £ 000
Cash and cash equivalents in statement of financial position	34,190	47,080
Unsecured bank overdrafts	-	(1,226)
Cash and cash equivalents in statement of cash flows	34,190	45,854

23 Share capital

Authorised share capital

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	230	230	230	230
Preference shares of £1 each	250	250	250	250
	480	480	480	480

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	188	188	188	188

The allotted and called up share capital consists only of fully paid ordinary shares with a nominal (par) value of £1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

24 Share premium

	2022 £ 000	2021 £ 000
Share premium	89,240	89,240

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium, less registration and other regulatory fees and net of related tax benefits.

25 Other components of equity

The changes to other components of equity resulting from items of other comprehensive income for the current year were as follows:

	Foreign currency translation reserve £ 000	Merger reserve £ 000	Capital contribution reserve £000	Total £ 000
Balance at 1 January 2022	4,944	(101,035)	-	(96,091)
Foreign currency translation gains	448	-	-	448
Loan waiver	-	-	43,500	43,500
Balance at 31 December 2022	5,392	(101,035)	43,500	(52,143)

The changes to other components of equity resulting from items of other comprehensive income for the prior year were as follows:

	Foreign currency translation reserve £ 000	Merger reserve £ 000	Capital contribution reserve £000	Total £ 000
Balance at 1 January 2021	4,175	(57,535)	-	(53,360)
Foreign currency translation gains	769	-	-	769
Organisation restructuring	-	(43,500)	-	(43,500)
Balance at 31 December 2021	4,944	(101,035)	-	(96,091)

Foreign currency translation reserve

Comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into GBP.

Merger reserve

This comprises of adjustments arising from the application of merger accounting for group restructuring and the details of the movement for each year are set out below:

During July 2021, EVCH UK Limited acquired the share capital of companies with the same ultimate parent company, Epiphany Operations Limited (and subsidiaries) and TTT Logistics Limited (and subsidiaries). In addition, in October 2021, Princetonhall Limited, an indirect subsidiary of EVCH UK Limited, acquired the share capital of EV Cargo Private Limited (and subsidiaries), also with the same ultimate parent company.

These acquisitions have been accounted for under merger accounting principles meaning that the results of the consolidated group for the year ended 31 December 2021 include the results of those entities in full.

The consideration paid for the acquisition of Epiphany Operations Limited (and subsidiary companies) was £43,500k paid by the issue of loan notes, resulting in a reduction in total equity of the group of this amount. The consideration paid for the acquisition of TTT Logistics Limited (and subsidiaries) was £1 paid in cash.

Capital contribution reserve

Represents the waiver of the unsecured loan notes from the related party. This reserve is distributable.

26 Loans and borrowings

	2022 £ 000	2020 £ 000
Non-current loans and borrowings		
Secured bank loans	28,875	24,775

	2022 £ 000	2021 £ 000
Current loans and borrowings		
Secured bank loans	7,123	5,253
Secured invoice financing	63,219	40,403
Unsecured other borrowings	-	4,327
Unsecured bank overdrafts	-	1,226
	70,342	51,209

Details of the facilities relating to the above loans and borrowings are set out below:

				Carrying amount	
Facility	**Currency**	**Nominal interest rate**	**Year of maturity**	**2022 £ 000**	**2021 £ 000**
Vendor loans	EUR	4.50%	2026	18,521	-
Secured bank loans [*1]	EUR/GBP	1.50-SOFR +4.90%	2024-2034	17,477	30,028
Secured invoice financing [*2]	GBP	SOFR + 1.80%-2.75%	On demand – 5 months' notice	63,219	40,403
Corporate charge card	GBP	1.00%	Monthly	-	4,327
Bank overdraft - unsecured	EUR	0.60%	On demand	-	1,226
				99,217	75,984

As at 31 December 2022, the group is exposed to risks arising from interest rate benchmark reform as LIBOR is replaced with alternative benchmark interest rates. The quantitative exposure is disclosed above.

[*1] Secured loans are secured by fixed and floating charges over group assets.
[*2] Invoice discounting is secured by a fixed charge over trade receivables, subject to a negative pledge.

As disclosed in Note 2, the group has mandatorily adopted Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 16). Applying the practical expedient introduced by the amendments, when the benchmarks affecting the group's loans are replaced, the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loans' benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss, which may have been required if the practical expedient was not available or adopted. As at 31 December 2022, the group expects the affected bank loans to transition to alternative interest rate benchmarks by 1 March 2023.

Breach of loan covenant in 2021
Epiphany Operations Limited, a subsidiary of EVCH UK Limited had a secured bank loan with a carrying value of £nil at 31 December 2022 (2021: £7,812k). This loan was repayable in tranches within 5 years. A covenant stating EBITDA could not exceed a 30% adverse variance against forecasts was provided to the lender. All amortisation and interest payments were made in accordance with the loan terms.

Epiphany Operations Limited exceeded this maximum threshold in August 2021 and as at 31 December 2021. The lender remained supportive and provided a formal waiver in May 2022 waiving all prior breaches of the covenants without fee, margin adjustment or adjustment to loan amortisation schedule. The company has taken the option of the early repayment and this loan has been repaid in full during the year.

27 Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2022 £ 000	2021 £ 000
Current liabilities	23,616	18,969
Non-current liabilities	100,686	87,344
	124,302	106,313

The total interest expense for the year on lease liabilities is disclosed within finance costs in Note 10 to the financial statements. The total cash outflow in respect of leases for the year was £29,087k (2021: £23,400k).

The group has leases for warehouses, vehicles and other equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of turnover) are excluded from the initial measurement of the lease liability and asset. The group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that unless there is a contractual right for the group to sublet the asset to another party, the right-of-use asset can only be used by the group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term.

The group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

Details of the right-of-use assets by class of underlying asset are disclosed in Note 16, which contains details of additions, depreciation charges for the year and carrying amounts at the end of the year. Included within current and non-current lease liabilities in both years are amounts owed to related parties arising from a sale and leaseback transaction in 2021, as disclosed in Note 37. The lease liabilities are secured by the related underlying assets.

Future minimum lease payments were as follows:

Minimum lease payments due	**Within 1 year £ 000**	**2-5 years £ 000**	**After 5 years £ 000**	**Total £ 000**
At 31 December 2022:				
Lease payments	28,712	73,054	45,773	147,539
Finance charges	(5,088)	(12,175)	(5,974)	(23,237)
Net present values	23,624	60,879	39,799	124,302
At 31 December 2021:				
Lease payments	22,942	60,388	43,534	126,864
Finance charges	(3,973)	(10,020)	(6,558)	(20,551)
Net present values	18,969	50,368	36,976	106,313

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets (leases with a total outlay of less than £5k). Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The value relating to short-term lease liabilities is disclosed in Note 8 to the financial statements. There are no material low value or variable lease costs.

At 31 December 2022 the group had not committed to any material leases which had not yet commenced.

28 Provisions

	Dilapidations provision £ 000	Terminal repairs provision £ 000	Other provisions £ 000	Total £ 000
At 1 January 2022	2,739	636	368	3,743
Additional provisions	-	909	6	915
Acquired as part of acquisition	-	-	3,800	3,800
Amount utilised or reversed	(98)	(181)	(319)	(598)
At 31 December 2022	2,641	1,364	3,855	7,860

Dilapidations provision: relates to various properties, which will be utilised over the next 10 years as leases expire.

Terminal repairs provision: relate to repairs on vehicles and trailers held on leases and are recognised on a lease-by-lease basis based on historic return costs.

Other provisions: relate to retirement indemnity provisions and other claims.

29 Trade and other payables

Current liabilities	2022 £ 000	2021 £ 000 (Restated)
Trade payables	95,546	133,871
Other creditors	12,577	28,038
Accruals and deferred income	74,385	87,284
Deferred tax liability – current portion	-	4
Amounts due to related parties	34,367	13,595
	216,875	262,792

All amounts are short-term. The carrying value of trade payables is considered to be a reasonable approximation of fair value.

Amounts due to related parties are interest free and repayable on demand.

Non-current liabilities

	2022 £ 000	2021 £ 000
Amounts due to related parties	-	43,500
	-	43,500

Amounts due to related parties in FY21 consist of Unsecured Loan Notes of £43,500k. Those were formally waived during FY22 and the balance credited against capital contribution reserve.

30 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £4,234k (2021: £3,867k).

Defined benefit pension scheme

The group operates the Plan, which is a defined benefit pension scheme providing benefits for its members that pays out pensions at retirement based on service and final salary. Such plan was available to certain UK employees through the' group's subsidiary EV Cargo Global Forwarding Limited. The group has applied IAS19 (Revised 2011) and the disclosures relate to this standard.

The Scheme operates under UK trust law and the trust is a separate legal entity from the group. The Scheme is governed by a sole independent Trustee. The Trustee is required by law to act in the best interests of Scheme members and is responsible for setting certain policies (e.g. investment, funding) together with the group's subsidiary.

The Scheme exposes the group to actuarial risks such as longevity risk, interest rate risk, inflation risk and market (investment) risk. The group recognises any gains and losses each period in Other Comprehensive Income.

The present value of the Scheme's liabilities recognised at the balance sheet date and the pension expense cost are dependent on the assumptions chosen. Changes in forecast cash flow values for the Scheme could lead to a change in the Scheme's valuation. The sensitivity analysis within the disclosures illustrate how changes in the main actuarial assumptions would impact the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected under the Scheme, it does provide an approximation to the sensitivity of the assumptions shown.

For the purposes of these financial statements, a valuation has been performed as at 31 December 2022.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2022 £ 000	2021 £ 000
Fair value of scheme assets	49,269	89,325
Present value of scheme liabilities	(70,773)	(107,627)
Defined benefit pension scheme deficit	(21,504)	(18,302)

Scheme assets

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

	2022 £ 000	2021 £ 000
Fair value at start of year	89,325	88,338
Interest income	1,596	1,201
Return on plan assets, excluding amounts included in interest income	(40,381)	4,950
Contributions by group company	2,440	1,420
Benefits paid and expenses	(3,711)	(6,584)
Fair value at end of year	49,269	89,325

Analysis of assets

The major categories of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Cash and cash equivalents	1,851	560
Equity instruments	47,418	88,765
	49,269	89,325

30 Pension and other schemes (continued)

Equity instruments

Equity instruments can be further categorised as follows:

	2022 £ 000	2021 £ 000
Quoted		
Corporate bonds	2,332	16,249
Equity-linked bonds	-	-
Multi asset Credit Fund	12,842	13,583
Total return credit funds alternatives	2,074	15,908
LDI	30,170	43,025
	47,418	88,765

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA or AA-rated. All other Plan assets are not quoted in an active market.

The actual return on the Plan assets for the year ended 31 December 2022 was £(38,785)k (2021 - £6,151k). The defined benefit costs recognised in the income statement for the year ended 31 December 2022 was £800k (2021 - £994k).

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

Scheme liabilities

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

	2022 £ 000	2021 £ 000
Present value at start of year	107,627	128,127
Actuarial gains and losses arising from changes in demographic assumptions	2,044	(10,747)
Actuarial gains and losses arising from changes in financial assumptions	(39,417)	(6,680)
Actuarial gains and losses arising from experience adjustments	1,760	1,316
Interest cost	1,908	1,751
Benefits paid	(3,711)	(6,584)
Expenses	562	444
Present value at end of year	70,773	107,627
Analysed as:		
Present value of scheme liabilities arising from wholly funded schemes	70,773	107,627

30 Pension and other schemes (continued)

Principal actuarial assumptions

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

	2022 %	2021 %
Discount rate	4.70	1.80
Inflation (RPI)	3.15	3.30
Inflation (CPI)	2.65	2.75
Allowance of revaluation of deferred pensions of CPI or 5% p.a. if less	3.00	3.00
Allowance of pension in payment increases of CPI or 5% p.a. if less, minimum 3% p.a.	3.60	3.35
Allowance for commutation of pensions for cash at retirement	100.00	100.00

Post retirement mortality assumptions

	2022 Years	2021 Years
Current UK pensioners at retirement age - male	19.50	19.70
Current UK pensioners at retirement age - female	22.10	22.20
Future UK pensioners at retirement age - male	20.70	21.00
Future UK pensioners at retirement age - female	23.50	23.70

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

Adjustment to discount rate	2022 + 0.5% £ 000	2021 + 0.1% £ 000
Present value of total obligation	(4,755)	(1,899)

Adjustment to rate of inflation (CPI)	2022 + 0.5% £ 000	2021 + 0.1% £ 000
Present value of total obligation	1,727	614

Adjustment to mortality age rating assumption	2022 + 1 year £ 000	2021 + 1 year £ 000
Present value of total obligation	2,652	4,193

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases.

The Plan typically exposes the participating company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to Plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future profit and loss accounts. This effect would be partially offset by an increase in the value of the Plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the Plan against extreme inflation.

The defined benefit pension scheme is closed to new members and future accrual.

30 Pension and other schemes (continued)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years–(2021 - 19 years).

Subsequent to the financial year end the participating company concluded its tri-annual valuation of the Pension Scheme which resulted in changes in life expectancy, inflation and discount rates applied in determination of the liability. The accounts have not been adjusted to reflect this valuation because the values are not directly comparable without further analysis and the previous valuation is still in date. Nonetheless the assumption changes, alongside a change in the investment composition of the scheme, indicate that a significant reduction in the liability will be recognised at the next reporting date.

The directors continue to monitor the exposure under the Pension scheme and ensuring sufficient appropriate liability coverage is maintained.

31 Net debt

Movement in net debt

	Cash and cash equivalents £ 000	Long-term borrowings £ 000	Short-term borrowings* £ 000	Total £ 000
At 1 January 2022	47,080	(24,775)	(49,983)	(27,678)
Cash-flows:				
– Cash movements	(12,890)	-	-	(12,890)
– Drawdowns and repayments of loans	-	(4,100)	2,457	(1,643)
– Net movement on invoice financing	-	-	(22,816)	(22,816)
At 31 December 2022	34,190	(28,875)	(70,342)	(65,027)

	Cash and cash equivalents £ 000	Long-term borrowings £ 000	Short-term borrowings* £ 000	Total £ 000
At 1 January 2021 (restated)	21,900	(46,330)	(31,583)	(56,013)
Cash-flows:				
– Cash movements	25,180	-	-	25,180
– Drawdowns and repayments of loans (restated)	-	21,555	(3,026)	18,529
– Net movement on invoice financing	-	-	(15,374)	(15,374)
At 31 December 2021	47,080	(24,775)	(49,983)	(27,678)

*excludes bank overdraft

32 Free cash flow

	2022 £ 000	2021 £ 000
Net cash flow from operating activities	41,293	38,022
Payments in respect of lease liabilities (including interest)	(29,087)	(23,400)
Acquisition of property, plant and equipment	(5,248)	(9,631)
Dividend income	4,295	5,665
Free cash flow	11,253	10,656

33 Fair value measurement and classification of financial assets and financial liabilities

The carrying amounts and fair values of financial assets and financial liabilities are classified below.

The table below analyses financial assets and financial liabilities, into a fair value hierarchy based on the valuation technique used to determine fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

All financial assets and financial liabilities are stated at their carrying values which are not materially different to the market value. There are no financial assets or financial liabilities held at Level 2 valuations.

2022	Amortised cost
Financial assets not measured at fair value	**£ 000**
Trade and other receivables *	225,129
Amounts owed by related parties *	8,520
Cash and cash equivalents (as shown in the statement of financial position)	34,190
	267,839
Financial liabilities not measured at fair value	
Non-current borrowings	28,875
Non-current lease liabilities	100,686
Current borrowings	70,342
Trade and other payables **	175,922
Current lease liabilities	23,616
Amounts due to related parties **	34,367
	433,808

33 Fair value measurement and classification of financial assets and financial liabilities (continued)

2021	Amortised cost
Financial assets not measured at fair value	**£ 000 (restated)**
Trade and other receivables *	295,775
Amounts owed by related parties *	20,912
Cash and cash equivalents (as shown in the statement of financial position)	47,080
	363,767
Financial liabilities not measured at fair value	
Non-current borrowings	24,775
Non-current amounts due to related parties**	43,500
Non-current lease liabilities	87,344
Loans and borrowings	51,209
Trade and other payables **	222,293
Current lease liabilities	18,969
Amounts due to related parties **	13,595
	461,685

* these amounts only represent trade receivables that are financial assets

** these amounts only represent trade payables that are financial liabilities

No financial assets/liabilities are measured at fair value. All financial assets/liabilities stated at their amortised costs carrying value, which are not materially different to fair value.

34 Financial risk review

This note presents information about the group's exposure to financial risks and the group's management of capital.

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in Note 33. The main types of risks are credit risk, liquidity risk and market risk.

The group's risk management is coordinated at its head office, in close cooperation with the Board of Directors, and focuses on actively securing the group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed are described below.

The group does not enter into derivatives.

Credit risk

The group's definition of credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is exposed to credit risk from financial assets including trade and other receivables, investments in debt securities and cash and cash equivalents held at banks.

The credit risk is managed on a group basis based on the group's credit risk management policies and procedures. The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

34 Financial risk review (continued)

The group also monitors the credit risk of amounts receivable from related parties, which is a mixture of amounts payable on demand and loan advances with set repayment terms. The group has considered these credit risks and determined that no provision requires to be made.

The carrying amount of financial assets represents the maximum credit exposure.

Security:
Trade receivables consist of a large number of customers in various industries and geographical areas. The group does not hold any security on the trade receivables balance. In addition, the group does not hold collateral relating to other financial assets (e.g. cash and cash equivalents held with banks).

Trade receivables, accrued income and contract assets:
The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables, accrued income and contract assets have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 36 months before 31 December 2022 and 31 December 2021 respectively as well as the corresponding historical credit losses during that period.

Trade receivables, accrued income and contract assets are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

	2022	2021
	£ 000	£ 000
At start of year	3,409	1,500
Acquired on acquisition	294	-
Impairment loss recognised	10,718	2,337
Amounts written off	(2,998)	(328)
Effect of foreign exchange	96	(100)
At end of year	11,519	3,409

Cash and cash equivalents:
Within the group's cash and cash equivalents are amounts of £34,190k at 31 December 2022 (2021: £47,080k) held with institutions with a Standard & Poor's short term credit rating of A-3 or higher.

The group's policy is to provide financial guarantees only for certain subsidiaries' and associates' liabilities. At 31 December 2022, the group has issued a guarantee to certain banks in respect of credit facilities granted to one associate.

The vast majority of the group's cash and cash equivalents of £34,190k (2021: £47,080k) are held with institutions with a Standard & Poor's short term credit rating of A-3 or higher.

34 Financial risk review (continued)

Liquidity risk

Liquidity risk is that the group might be unable to meet its obligations. The group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The group's objective is to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.
The group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months. As at 31 December 2022, the group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

2022	Current within 12 months £ 000	Non-current 1 to 5 years £ 000	Later than 5 years £000	Total £000
Bank and other borrowings	71,069	24,486	5,285	100,840
Trade and other payables	210,289	-	-	210,289
Total	281,358	24,486	5,285	311,119

This compares to the maturity of the group's financial liabilities in the previous reporting year as follows:

2021 (restated)	Current within 12 months £ 000	Non-current 1 to 5 years £ 000	Later than 5 years £000	Total £ 000
Bank and other borrowings	49,983	20,976	3,799	74,758
Bank overdraft	1,226	-	-	1,226
Trade and other payables	235,887	-	43,500	279,387
Total	287,096	20,976	47,299	355,371

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Contractual maturities of lease liabilities are disclosed in note 27.

At 31 December 2022, the group maintained the following lines of credit:

- Invoice discounting facilities which equate to 90% of outstanding invoice receivables up to a maximum of £109,800k. The discount rates for these facilities range from 1.8% - 2.7% over 3 month SONIA. The unutilised headroom as 31 December 2022 on these facilities totalled £46,543k.

34 Financial risk review (continued)

Market risk

The group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from its operating activities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency sensitivity

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of group companies. The functional currencies of group companies are primarily Sterling, US dollar, Hong Kong dollar and the Euro. The currencies in which these transactions are primarily denominated are Sterling, US dollar, Hong Kong dollar and the Euro.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the group. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Foreign currency denominated financial assets and liabilities which expose the group to currency risk are disclosed below. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows (due after six months). The amounts shown are those reported to key management translated into GBP at the closing rate.

Short-term exposure

	Euro '000	HK$ '000	USD '000	GBP '000
2022				
Trade receivables	21,482	-	9,530	1,149
Trade payables	(14,367)	(431)	(6,551)	-
2021				
Trade receivables	8,914	-	15,557	-
Trade payables	(7,416)	(1,375)	(23,388)	-

Due to the limited level of trading in balances that are not the functional currency of the entities, as illustrated in the previous table, the impact of a reasonable movement in exchange rates, even as high as 15% would have a trivial impact on the results of the group.

Interest rate sensitivity

The group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2022, the group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2020: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year +1% £ 000	Profit for the year -1% £ 000
2022	(992)	992
2021	(760)	760

35 Capital management

The group's capital management objectives are:

- To ensure the group's ability to continue as a going concern.
- To provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented in the consolidated statement of financial position and cash flow hedges in other comprehensive income.

Management assesses the group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the group's various classes of debt. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the group for the reporting years under review are summarised as follows:

	2022 £ 000	2021 £ 000 (restated)
Total equity	55,394	8,098
Cash and cash equivalents	34,190	47,080
Capital	89,584	55,178
Total equity	55,394	8,098
Borrowings	99,217	75,984
Lease liabilities	124,302	106,313
Overall financing	278,913	190,395
Capital-to-overall financing ratio	0.32	0.29

36 Business combinations

a. Summary of acquisitions in 2022

Acquisition of Fast Forward Freight

The group acquired 100% of the share capital of Fast Forward Freight B.V. and its subsidiaries on 22 March 2022. This strategic acquisition significantly expands EV Cargo's global footprint, enables further trade lane development and adds several thousand customers to EV Cargo across strategic industry verticals such as automotive, aerospace, pharmaceuticals and retail.

Acquisition of Air Express Cargo

The group acquired 75% of the share capital of Air Express Cargo S.L. on 20 July 2022. This acquisition significantly expands EV Cargo's presence in Spain.

Acquisition of Dobbs

In December 2022, Palletforce Limited, a subsidiary of EVCH UK Limited, acquired 100% of the share capital of Dobbs Logistics Limited, an affiliated company with the same ultimate parent company. 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.

36 Business combinations (continued)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fast Forward Freight B.V.	Air Express Cargo S.L.	Dobbs Logistics Limited	Total acquisitions
	Mar-22	Sep-22	Dec-22	2022
	£ 000	£ 000	£ 000	£ 000
Cash consideration paid	20,271	385	4,343	24,999
Roll over purchase price	25,213	-	-	25,213
Cash Consideration deferred	-	-	1,000	1,000
Consideration issued in loan notes	19,056	-	-	19,056
Total purchase consideration	64,540	385	5,343	70,268

The roll over purchase price relates to the fair value of the shares issued in EV Cargo Holdings Limited as part of the consideration paid for Fast Forward Freight. Fair value was determined based on the valuation of EV Cargo Holdings Limited at the time of acquisition.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fast Forward Freight B.V.	Air Express Cargo S.L.	Dobbs Logistics Limited	Total acquisitions
	Mar-22	**Sep-22**	**Dec-22**	**2022**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Cash and cash equivalents	2,711	23	540	3,274
Trade and other receivables	33,188	1,014	557	34,759
Property, plant and equipment	3,235	1	1,958	5,194
Right-of-use assets	7,819	-	-	7,819
Intangible assets	27,083	-	1,479	28,562
Investments	-	9	10	19
Trade and other payables	(16,389)	(273)	(667)	(17,329)
Borrowings	(5,155)	(462)	-	(5,617)
Provisions	(3,800)	-	-	(3,800)
Lease liabilities	(7,819)	-	-	(7,819)
Deferred tax assets/(liabilities)	(7,836)	73	(39)	(7,802)
Total identifiable net assets	33,037	385	3,838	37,260
Add: Goodwill	31,503	-	1,505	33,008
Total net assets acquired	64,540	385	5,343	70,268

36 Business combinations (continued)

The goodwill is attributable to the workforce, profitability of the acquired business and access to new markets. It will not be deductible for tax purposes.

b. Revenue and profit contribution

The acquired business contributed the following revenues and net profit to the group since their respective acquisition dates:

	Fast Forward Freight B.V.	Air Express Cargo S.L.	Dobbs Logistics Limited	Total acquisitions
	Mar-22	Sep-22	Dec-22	2022
	£ 000	£ 000	£ 000	£ 000
Revenue contributed to the Group	127,965	3,165	-	131,130
Net profit contributed to the group	6,030	293	-	6,323

If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been as follows:

	Fast Forward Freight B.V.	Air Express Cargo S.L.	Dobbs Logistics Limited	Total acquisitions
	Mar-22	Sep-22	Dec-22	2022
	£ 000	£ 000	£ 000	£ 000
Revenue contributed to the Group	167,104	4,220	4,992	176,316
Net profit contributed to the group	5,283	391	308	5,982

These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and the subsidiary.

c. Purchase consideration – cash outflow

Outflow of cash to acquire each subsidiary, net of cash acquired was as follows:

	Fast Forward Freight B.V.	Air Express Cargo S.L.	Dobbs Logistics Limited	Total acquisitions
	Mar-22	Sep-22	Dec-22	2022
	£ 000	£ 000	£ 000	£ 000
Cash consideration	20,271	385	4,343	24,999
Less: Balances acquired				
Cash	(2,711)	(23)	(540)	(3,274)
Net outflow of cash – investing activities	17,560	362	3,803	21,725

Acquisition-related costs

Acquisition-related costs of £3,135k are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows. Those have been treated as adjusting items, as described in note 6.

36 Business combinations (continued)

d. Group restructuring in 2021

During the year ended 31 December 2021, the following group restructuring took place with transfers of shares between companies with the same ultimate parent company:

- In August 2021, EVCH UK Limited acquired all the share capital of Epiphany Operations Limited (and its subsidiaries) and TTT Logistics Limited (and its subsidiaries).
- In October 2021, a subsidiary, Princetonhall Limited acquired all the share capital of EV Cargo Private Limited (and its subsidiaries).

These acquisitions have been accounted for under merger accounting principles meaning that the results of the consolidated group for the years to 31 December 2021 include the results of those entities in full.

37 Related party transactions

The group's related parties include its associates, key management, post-employment benefit plans for the group's employees and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with associates

Year ended 31 December 2022

	Associates £ 000
Sales to related party	1,622
Purchases from related party	27,397
Dividends received from related party	4,295
Amounts due from related party	1,298
Amounts due to related party	2,872

Year ended 31 December 2021

	Associates £ 000
Sales to related party	363
Purchases from related party	52,053
Dividends received from related party	5,665
Amounts due from related party	118
Amounts due to related party	13,516

Amounts due from and to related party are repayable on demand and interest free.

During the year ended 31 December 2021 total loans of £24,167k made to related parties by EVCH UK Limited were fully repaid.

The amounts due from the subsidiaries of the parent company of EVCH UK Limited at the balance sheet date were £36,165k (2021: £10,615k). The amounts due to and from related parties that are outside of the EVCH UK Limited group but are owned by the same ultimate parent company are disclosed in notes 21 and 29.

Transactions with key management personnel
Key management of the group are the executive members of EVCH UK Limited. Key management personnel remuneration includes the remuneration of four executives (2021: four) whose costs are paid either directly by the subsidiaries within the group or amounts are apportioned for costs that those individuals dedicate to EVCH UK Limited and its subsidiaries and amounts to £2,208k (2021: £1,149k) comprising of remuneration of £2,193k (2021: £1,111k) and contributions to money purchase pension schemes of £15k (2021: £38k).

37 Related party transactions (continued)

Transactions with other related parties

Sale and leaseback of properties:
During the year ended 31 December 2021, the group entered into a sale and leaseback transaction in relation to certain of its properties, with subsidiaries of the parent company of EVCH UK Limited resulting in a recognition of £10,287k of Right-of-use-asset and £14,352k of lease liability.

Total proceeds on disposals were £26,725k, including cash settlement of £16,302k and the remaining balance left as intercompany loan, included in amounts owed by related party in note 21. Total profit on disposal was £3,484k. Lease liability payments of £1,771k (2021: £738k) were made in the year, including interest charges of £581k (2021: £259k), resulting in a lease liability at the end of the year of £12,683k (2021: £13,873k).

Transactions with the defined benefit plan

The defined benefit plan is a related party. The defined benefit plan does not hold shares in EVCH UK Limited. The group's only transaction with the defined benefit plan relates to contributions paid to the plan.

38 Contingent liabilities

The company has a cross guarantee with its bankers in favour of certain group companies. The cash balance of these group companies as at 31 December 2022 was positive (2021: positive).

39 Non adjusting events after the financial year

The group acquired the remaining 60% of the shares of Allport Netherlands B.V., for the total consideration of €41,000k, on 29 March 2023, making it a fully owned subsidiary after the acquisition date. As part of the transaction, the group also acquired the remaining shares in EV Cargo Global Forwarding BV in Belgium to become the sole shareholder of the business. This strategic acquisition further increases our European network, strengthening our European freight forwarding and logistics execution platform and enables further development opportunities with a business that is highly complementary to EV Cargo's current activities. The acquisition was partly funded by a term loan with HSBC Plc of £25,000k, which is now due for repayment in March 2025.

Two of the group's subsidiaries have a secured invoice financing facility operated by Investec, that has a monthly covenant requirement based on minimum EBITDA. Post year end the minimum EBITDA covenant threshold has been reset and continues to be monitored by management.

Post year end, the debt of £12,800k held by one of the subsidiaries, repayable in October 2023 was amended and extended to December 2027.

The Directors have noted prior public reporting of potential disputes with a freight service provider and related party (by minority shareholding). The relevant proceedings are at an early stage and the Directors are not in a position therefore to determine potential legal outcomes. In any event, the Directors have no reason to consider any part of the disputes to constitute a material risk to the group.

40 Contractual commitments

There are no contractual commitments for the purchase of property, plant and equipment at 31 December 2022 (2021: £Nil).

41 Investment in subsidiaries, associates and joint ventures

EVCH UK Limited has availed itself of the provisions of section 479A of the Companies Act 2006 and opted not to have an audit for some of its subsidiaries on the grounds that it has issued a guarantee for its subsidiaries and no member of these subsidiaries has requested an audit. The entities taking this exemption are EV Cargo Solutions Holdings Limited (Company Number: 06445743), TTT Logistics Limited (Company Number: 10925599), Agency Z Limited (Company Number: 01666820), and EV Cargo UK Limited (Company Number: 11814004).

41 Investment in subsidiaries, associates and joint ventures (continued)

Details of the group's and company's subsidiaries, associates and joint arrangements at 31 December 2022 are as follows:

Company subsidiaries – direct investment:

Name	Country of incorporation	Activity	Holding	Ownership interest 2022	Ownership interest 2021
Allport Trustee Limited [1]	United Kingdom	Dormant	Ordinary	100.00%	100.00%
Epiphany Operations Limited [3]	United Kingdom	Holding company	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding Limited [1]	United Kingdom	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Technology UK Limited [1]	United Kingdom	Software development	Ordinary	100.00%	100.00%
EV Cargo UK Limited [2]	United Kingdom	Support services	Ordinary	100.00%	100.00%
EVCGF Holdings Limited [1]	United Kingdom	Head office	Ordinary	100.00%	100.00%
Palletforce Holdings Limited [2]	United Kingdom	Holding company	Ordinary	91.51%	91.51%
TTT Logistics Limited [4]	United Kingdom	Holding company	Ordinary	100.00%	100.00%

Company subsidiaries – indirect investment:

Name	Country of incorporation	Activity	Holding	Ownership interest 2022	Ownership interest 2021
ACS Reverse Logistics Limited [1]	United Kingdom	Dormant	Ordinary	50.00%	50.00%
Agency-Z Limited [4]	United Kingdom	Driver agency	Ordinary	100.00%	100.00%
Dobbs Logistics Limited [40]	United Kingdom	Freight transport	Ordinary	91.51%	-
EV Cargo Solutions Holdings Limited [5]	United Kingdom	Holding company	Ordinary	100.00%	100.00%
EV Cargo Solutions Limited [5]	United Kingdom	Freight transport	Ordinary	100.00%	100.00%
EV Downton Limited [3]	United Kingdom	Freight transport	Ordinary	100.00%	100.00%
Far East Cargo Line Limited [1]	United Kingdom	Dormant	Ordinary	100.00%	100.00%
Forcefield Bidco Limited [2]	United Kingdom	Holding company	Ordinary	91.51%	91.51%
Forcefield Midco Limited [2]	United Kingdom	Holding company	Ordinary	91.51%	91.51%
Ovimore Limited [40]	United Kingdom	Holding Company	Ordinary	91.51%	
Palletforce Limited [2]	United Kingdom	Freight transport	Ordinary	91.51%	91.51%
QTR Transport Limited [3]	United Kingdom	Freight transport	Ordinary	100.00%	100.00%
UK Freight Masters Limited [2]	United Kingdom	Freight transport	Ordinary	100.00%	100.00%
EV Cargo B.V. [42]	Netherlands	Holding company	Ordinary	100.00%	-
Fast Forward Freight Holding B.V. [43]	Netherlands	Holding company	Ordinary	100.00%	-
Fast Forward Freight Belgium [44]	Belgium	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight GmbH [45]	Germany	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight SAS [46]	France	Freight forwarding	Ordinary	100.00%	-

41 Investment in subsidiaries, associates and joint ventures (continued)

Company subsidiaries – indirect investment (continued):

Name	Country of incorporation	Activity	Holding	Ownership interest 2022	Ownership interest 2021
Fast Forward Freight Transport B.V. [43]	Netherlands	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight and Logistics Limited [47]	United Kingdom	Freight forwarding	Ordinary	100.00%	-
Fast Forward Customs B.V. [43]	Netherlands	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight S.L. [48]	Spain	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight Hellas Ltd [49]	Greece	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight Inc. [50]	USA	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight B.V. [43]	Netherlands	Freight forwarding	Ordinary	100.00%	-
Air Express Cargo S.L [51]	Spain	Freight forwarding	Ordinary	75.00%	-
Mainlog V.O.F. [43]	Netherlands	Freight forwarding	Ordinary	100.00%	-
Aerospace Management Services Amsterdam B.V. [43]	Netherlands	Freight forwarding	Ordinary	100.00%	-
EV Cargo Global Forwarding SA [52]	Switzerland	Freight forwarding	Ordinary	100.00%	-
Fast Forward Freight Logistics Limited	United Kingdom	Freight transport	Ordinary	100.00%	-
Horath AG[54]	Switzerland	Freight transport	Ordinary	100.00%	-
EV Cargo Global Forwarding BV [6]	Belgium	Freight forwarding	Ordinary	51.00%	51.00%
EV Cargo Global Forwarding Co. Limited [7]	Cambodia	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding (Shenzhen) Limited [8]	China	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding LLC [9]	Dubai	Freight forwarding	Ordinary	83.47%	83.47%
CS Freight Solutions SAS [10]	France	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding SAS [11]	France	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding GmbH [12]	Germany	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding Limited [13]	Hong Kong	Freight forwarding	Ordinary	100.00%	100.00%
EVCH PRC Limited [13]	Hong Kong	Dormant	Ordinary	100.00%	100.00%
EV Cargo Technology HK Limited [14]	Hong Kong	Computer programming	Ordinary	100.00%	100.00%
Princetonhall Limited [15]	Hong Kong	Freight forwarding	Ordinary	100.00%	100.00%
Allied Cargo Services SARL [16]	Madagascar	Freight forwarding	Ordinary	51.00%	51.00%
EV Cargo Global Forwarding SARL [16]	Madagascar	Freight forwarding	Ordinary	51.20%	51.20%
Airline Freight Services (Mtius) Ltd [39]	Mauritius	Dormant	Ordinary	80.00%	80.00%

41 Investment in subsidiaries, associates and joint ventures (continued)

Company subsidiaries – indirect investment (continued):

Name	Country of incorporation	Activity	Holding	Ownership interest 2022	Ownership interest 2021
Allied Cargo Services Limited[17]	Mauritius	Freight forwarding	Ordinary	51.00%	51.00%
Allport Cargo Services (Mauritius) Limited [41]	Mauritius	Dormant	Ordinary	80.00%	80.00%
EV Cargo Global Forwarding Limited [17]	Mauritius	Freight forwarding	Ordinary	51.00%	51.00%
EV Cargo Global Forwarding Limited [18]	Myanmar	Freight forwarding	Ordinary	70.00%	70.00%
EV Cargo Global Forwarding Sp.zoo [19]	Poland	Freight forwarding	Ordinary	80.00%	80.00%
EV Cargo Global Forwarding Private Limited [20]	Singapore	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Private Limited [20]	Singapore	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding Limited [21]	Vietnam	Freight forwarding	Ordinary	100.00%	100.00%
EV Cargo Global Forwarding Sdn. Bhd. [53]	Malaysia	Freight forwarding	Ordinary	100.00%	100.00%

Group associates

Name	Country of incorporation	Activity	Holding	Ownership interest 2022	Ownership interest 2021
ACS Logistics Limited [22]	Bangladesh	Freight forwarding	Ordinary	39.90%	39.90%
Allport Cargo Services (Air) Limited [23]	Bangladesh	Freight forwarding	Ordinary	38.00%	38.00%
Allport Cargo Services (Ocean) Limited [22]	Bangladesh	Freight forwarding	Ordinary	35.00%	35.00%
Mariners Cargo Services Limited [24]	Bangladesh	Freight forwarding	Ordinary	20.00%	20.00%
Speedmark Transportation (Bangladesh) Limited [25]	Bangladesh	Freight forwarding	Ordinary	22.00%	22.00%
Speedmark Transportation (Cambodia) Co Limited [26]	Cambodia	Freight forwarding	Ordinary	30.00%	30.00%
CS Airfreight (Shanghai) Limited [27]	British Virgin Islands	Freight forwarding	Ordinary	49.00%	49.00%
PT Sarana Allport Indonesia [28]	Indonesia	Freight forwarding	Ordinary	40.00%	40.00%
PT Speedmark Transportation Indonesia [29]	Indonesia	Freight forwarding	Ordinary	30.00%	30.00%
Allport Cargo Services (Korea) Limited [30]	Korea	Freight forwarding	Ordinary	34.00%	34.00%
ACS Logistics (M) Sdn Bhd [31]	Malaysia	Freight forwarding	Ordinary	45.00%	45.00%
Myanmar Speedmark Transportation Limited [32]	Myanmar	Freight forwarding	Ordinary	25.00%	25.00%
Speedmark Logistics Limited [33]	Myanmar	Freight forwarding	Ordinary	25.00%	25.00%
Allport Netherlands BV [34]	Netherlands	Freight forwarding	Ordinary	40.00%	40.00%

41 Investment in subsidiaries, associates and joint ventures (continued)

Group associates (continued)

Name	Country of incorporation	Activity	Holding	Ownership interest 2022	Ownership interest 2021
Allport Cargo Services (Private) Limited [35]	Pakistan	Freight forwarding	Ordinary	33.00%	33.00%
Speedmark Philippines Inc [36]	Philippines	Freight forwarding	Ordinary	20.00%	20.00%
Allport Cargo Services (Thailand) Co. Limited [37]	Thailand	Freight forwarding	Ordinary	48.00%	48.00%
Speedmark Logistics Company Limited [38]	Vietnam	Freight forwarding	Ordinary	41.00%	41.00%

Details of the registered offices of subsidiaries and associated companies are as follows:

Reference	*Registered office*
1	Phoenix House, Oxford Road, Gerrards Cross, England, SL9 7AP
2	Centrum West, Callister Way, Burton-on-Trent, England, DE14 2SY
3	Brook Farm, Bristol Road, Moreton Valence, Gloucester, GL2 7ND
4	Birchwood Way, Somercotes, Alfreton, DE55 4QQ
5	Unit 15, Coalfield Way, Ashby-De-La-Zouche, Leicestershire, LE65 1JR
6	Building 720 Brucargo, 1931, Zaventum, Belgium
7	The Bridge Lifestyle Mall, Level 3A, Unit 4A1 and 4B, Village No.14 National Assembly Road Sangkat Tonle Bassac, Khan Chamkarmorn, Phnom Penh, Cambodia
8	Qianhai Complex A201, Qianwan Road 1, Qianhai Shenzhen, P.R.C. (Shenzhen Qianhai Commerce Secretariat Co.,Limited.)
9	4th Floor, Entrance 5, Bel Houl Group Building, Al Garhoud Area, Dubai
10	Le Space 208 Boulevard du Mercantour 06200 Nice
11	7 Place Clémenceau 76310 Sainte-Adresse
12	Herrenpfad-Süd 34, 41334 Nettetal, Germany
13	Suite 2908B, 29/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Hong Kong
14	Suite 2909, 29/F, Skyline Tower, 39 Wang Kwong Rd, Kowloon Bay, Hong Kong
15	Suite 2908B, 29/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Hong Kong
16	25 Rue Raveloary Isoraka, 101 Antananarivo, Madagascar
17	32A Farquhar Street, 3rd Floor, Amicale Building, Port-Louis, Mauritius
18	Building A-5, SHWE Kabar Housing, Room No – 208 Mayangone Township, Yangon Region, Myanmar
19	Ul. Inowlodzka 5, 03-237, Warszawa
20	9 Airline Road, #04-03, Cargo Agents Building D, Singapore 819827
21	10th Floor, Miss Ao Dai Building located at 21 Nguyen Trung Ngan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
22	Monjoor Building (1st Floor), 67, Agrabad C/A, Chittagong
23	Landmark Building, 12-14, Gulshan North CIA, Gulshan Circle-2, Dhaka-1216, Bangladesh
24	Monjur Building (2nd Floor), 67, Agrabad Comemrcial Area, Chittagong-4100, Bangladesh
25	Landmark Building, 12-14, Gulshan North C/A, Gulshan-2, Dhaka

EVCH UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

41 Investment in subsidiaries, associates and joint ventures (continued)

26	Phum 4, Tumnob Tuek, Chamkar Mon, Phnom Penh, 12306, Cambodia
27	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
28	Puri Sentra Niaga Blok A20-21, 13620, Jakarta Timur, Indonesia
29	*Puri Sentra Niaga Blok A20-21, 13620, Jakarta Timur, Indonesia*
30	51 World Cup buk-ro 4-gil, Mapo-gu, Seoul
31	Unit 1-3-1, No.1, Jalan P.Ramlee, George Town, Pulan Pineng
32	Alan Pya, Pagoda Road, No.39, Room 406, 4 Floor, Dagon Township, Yangon Region, Myanmar 11191
33	Room A-405, The Leaf Office Tower, No.204, Dhamathuka Kyaung Street, 7 Quarter, Hlaing Township, Yangon, Myanmar
34	Marco Polostraat 22, Rotterdam, 3165 Albrandswaard, Netherlands
35	House # 189-P, Block 2, P.E.C.H.S Karachi, Karachi, South Sindh
36	Kaingin Rd, Multinational Ave, Paranaque, 1708 Metro, Manila, Philippines
37	No. 100/1, Vorasombat Building, 16th Floor, Room 16L, Rama 9 Road, Huai Khwang Sub-district, Huai Khwang District, Bangkok
38	207/56 Nguyen Van Dan Street, Ward 11, Binh Thanh District, HCMC
39	Old Cargo Road, Plaine Magnien, Mauritius
40	30-34 North Street, Hailsham, England, BN27 1DW
41	2nd Floor, KL House, Motorway M3, Riche Terre, Mauritius
42	Kabelweg 37, 1014BA Amsterdam
43	Contour Avenue 91, 2133l D Hoofddorp
44	Bedrijvenzone Machelen-Cargo 721, 1830 Machelen (Brab.), Belgium
45	Cargo City South, Building 556 d, 60549 Frankfurt am Main
46	229 Rue de la Belle Etoile, 95700 Roissy-en-France
47	C/O Menzies Llp Ashcombe House, 5 The Crescent, Leatherhead, United Kingdom, KT22 8DY
48	C/ KILIMANJARO, 32CALA LLONGA - SANTA EULALIA DEL RIO07849 ILLES BALEARS
49	Municipality of Voula - Vari – Vouliagmeni / 80A, Vassileos Pavlou street, Voula, P.C. 16673
50	Wilmington, County of New Castle, State of Delaware, United States of America
51	Calle Zapadores, 2, nave 5, 28830 San Fernando de Henares, Madrid
52	Flughofstrasse 41, 8152 Glattbrugg
53	Unit 30-01, level 30, Tower A, Vertical, Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, Kuala Lumpur, Wilayah Persekutuan
54	Flughoffstrasse 41, CH-8152 Glattbrug, Zurich, Switzerland

42 Parent and ultimate parent undertaking

The immediate parent undertaking is EV Cargo Group Limited, a company registered in the Cayman Islands. The ultimate parent company is Billion Venture Group Limited, a company registered in the British Virgin Islands. The ultimate controlling party is Mr H Zarin. The largest and the smallest group of undertakings for which group financial statements are drawn up are those financial statements.

43 Prior year restatement

Note 1) During the 2022 audit it was identified that the forecasts used in the impairment reviews of a subsidiary as at 31 December 2021 were not the most appropriate. The forecasts used had been set during 2021, and did not reflect all the indicators of economic downturn that could have been factored in at that time, and were considered to be stretch targets for the business. An impairment was identified during the impairment review exercise performed as at December 2022, and it was determined that this would have also arisen in 2021, if more cautious forecasts that represented management's best estimate at that time had been utilised. Therefore the impairment

43 Prior year restatement (continued)

that has arisen has been treated as a prior year adjustment. This resulted in the impairment against goodwill, intangibles, property plant and equipment and right of use assets of £34,196,000, with an associated taxation adjustment to increase deferred tax assets and reduced taxation charge of £4,820,000, which results in a net decrease to net assets and reported profit after tax of £29,476,000.

Note 2) Our Global forwarding business recognises revenue over time as the performance obligation is satisfied. It has been identified that certain balance sheet entries associated with recognising revenue over time had been incorrectly calculated and presented. An amount of £26,900,000 was incorrectly included within both trade and other receivables and within trade creditors. Furthermore, £11,845,000 should have been presented as a contract asset of £11,845,000 with an equivalent balance within accruals. There is no impact on reported results or net assets or reserves as a result of this adjustment.

In addition 2021 revenue as previously reported contained internal revenue journals amounting to £36,481,000 with an associated cost of sales impact of £36,481,000 that should have been reversed, and therefore this has now been eliminated as a prior year adjustment. There is no impact on reported retained earnings or net assets.

Consolidated Income Statement for the year ended 31 December 2021

	Previously reported	Note 1	Note 2	As restated
Revenue	1,127,069	-	(36,481)	1,090,588
Cost of sales	(982,562)	(6,822)	36,481	(952,903)
Gross profit	144,507	(6,822)	-	137,685
Administrative expenses	(112,888)	(27,374)	-	(140,262)
Other operating income	5,341	-	-	5,341
Operating profit	36,960	(34,196)	-	2,764
Finance income	688	-	-	688
Finance cost	(8,375)	-	-	(8,375)
Net finance cost	(7,687)	-	-	(7,687)
Share of profit of equity accounted investees	6,284	-	-	6,284
Profit before tax	35,557	(34,196)	-	1,361
Taxation	(2,150)	4,820	-	2,670
Profit for the year	33,407	(29,376)	-	4,031
Profit attributable to:				
Owners of the company	31,317	(29,376)	-	1,941
Non-controlling interests	2,090	-	-	2,090
	33,407	(29,376)	-	4,031

43 Prior year restatement (continued)

Consolidated Statement of Financial Position as at 31 December 2021

	Previously reported	Note 1	Note 2	As restated
Non-current assets				
Property, plant and equipment	16,040	(601)	-	15,439
Right-of-use assets	96,053	(13,730)	-	82,323
Intangible assets	52,638	(19,865)	-	32,773
Equity accounted investments	12,913	-	-	12,913
Other non-current financial assets	192	-	-	192
Deferred tax assets	7,525	4,820	-	12,345
	185,361	(29,376)	-	155,985
Current assets				
Inventories	575	-	-	575
Trade and other receivables	343,587	-	(26,900)	316,687
Contract assets	-	-	11,845	11,845
Income tax asset	1,681	-	-	1,681
Cash and cash equivalents	47,080	-	-	47,080
	392,923	-	(15,055)	377,868
Total assets	578,284	(29,376)	(15,055)	533,853
Equity				
Share capital	188	-	-	188
Share premium	89,240	-	-	89,240
Foreign currency translation reserve	4,944	-	-	4,944
Merger reserve	(101,035)	-	-	(101,035)
Retained earnings	41,283	(29,376)	-	11,907
Equity attributable to owners of the company	34,620	(29,376)	-	5,244
Non-controlling interests	2,854	-	-	2,854
Total equity	37,474	(29,376)	-	8,098

43 Prior year restatement (continued)

Consolidated Statement of Financial Position as at 31 December 2021

Equity and liabilities (continued)	Previously reported	Note 1	Note 2	As restated
Non-current liabilities				
Loans and borrowings	24,775	-	-	24,775
Long term lease liabilities	87,344	-	-	87,344
Retirement benefit obligations	18,302	-	-	18,302
Deferred Consideration	-	-	-	-
Provisions	3,743	-	-	3,743
Deferred tax liabilities	6,846	-	-	6,846
Amounts owed to related parties	43,500	-	-	43,500
	184,510	-	-	184,510
Current liabilities				
Trade and other payables	277,847	-	(15,055)	262,792
Loans and borrowings	51,209	-	-	51,209
Lease liabilities	18,969	-	-	18,969
Income tax liability	8,275	-	-	8,275
	356,300	-	(15,055)	341,245
Total liabilities	540,810	-	(15,055)	525,755
Total equity and liabilities	578,284	(29,376)	(15,055)	533,853

43 Prior year restatement (continued)

Consolidated Statement of Changes in Equity (extract) as at 31 December 2021

	Previously Reported Retained Earnings	Note 1	Note 2	As restated
	£ 000	£ 000	£ 000	£ 000
At 1 January 2021	(6,508)	-	-	(6,508)
Profit for the year	31,317	(29,376)	-	1,941
Other comprehensive income	16,474	-	-	16,474
Total comprehensive income	47,791	(29,376)	-	18,415
Transactions with owners in their capacity as owners:				
Organisation restructuring	-	-	-	-
Transactions with non-controlling interests	-	-	-	-
At 31 December 2021	41,283	(29,376)	-	11,907

43 Prior year restatement (continued)

Consolidated Statement of Cash Flows (extract) as at 31 December 2021

	Previously Reported	Note 1	Note 2	As restated
	£ 000	£ 000	£ 000	£ 000
Cash flows from operating activities				
(Loss)/profit for the year	33,407	(29,376)	-	4,031
Adjustments to cash flows from non-cash items:		-	-	
Depreciation and amortisation	31,524	-	-	31,524
Impairment	1,484	34,196	-	35,680
Impairment (reversal)/charge of equity accounted investments	(214)	-	-	(214)
Profit on disposal of property, plant and equipment	(5,036)	-	-	(5,036)
Finance income	(688)	-	-	(688)
Finance costs	8,375	-	-	8,375
Share of profit of associated companies	(6,284)	-	-	(6,284)
Income tax expense	2,150	(4,820)	-	(2,670)
Foreign exchange loss/(gain)	307	-	-	307
Other	420	-	-	420
	65,445	-	-	65,445
Working capital adjustments:				
Increase in inventories	(219)	-		(219)
Decrease/(increase) in trade and other receivables	(154,596)	-	15,055	(136,541)
(Decrease)/increase in trade and other payables	129,592	-	(15,055)	114,537
Decrease in retirement benefit obligation net of actuarial changes	(425)	-	-	(425)
Increase in provisions	827	-	-	827
Cash generated from operations	40,624	-	-	40,624
Income taxes paid	(2,602)	-	-	(2,602)
Net cash flow from operating activities	38,022	-	-	38,022

(REGISTRATION NUMBER: 05015923)

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	2022 £ 000	As restated 2021 £ 000
Fixed assets			
Intangible assets		67	-
Investments	4	142,465	142,465
		142,532	142,465
Current assets			
Debtors	5	36,165	17,187
Cash and cash equivalents		-	1
		36,165	17,188
Current liabilities			
Creditors	6	(75,799)	(55,732)
Net current liabilities		(39,634)	(38,544)
Non-current liabilities	6	-	(43,500)
Total net assets		102,898	60,421
Capital and reserves			
Called up share capital	7	188	188
Share premium reserve	8	89,240	89,240
Capital contribution reserve	8	43,500	-
Profit and loss account	8	(30,030)	(29,007)
Total equity		102,898	60,421

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account or statement of comprehensive income for the year in these financial statements. The loss of the Company for the year was £1,023k (2021 loss: £26,385k).

Details of the restatement to investments and Profit and loss account are included in note 11.

Approved by the Board on 29 January 2024 and signed on its behalf by:

H B Zarin
Director

The notes on pages 95 to 99 form an integral part of these financial statements.

EVCH UK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2022 (As restated)	188	89,240	-	(29,007)	60,421
Loss for the year	-	-	-	(1,023)	(1,023)
Total comprehensive income	-	-	-	(1,023)	(1,023)
Loan waiver			43,500	-	43,500
At 31 December 2022	188	89,240	43,500	(30,030)	102,898

	Called up share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2021	188	89,240	-	(2,622)	86,806
Loss for the year (As restated)	-	-	-	(26,385)	(26,385)
Total comprehensive loss (As restated)	-	-	-	(26,385)	(26,385)
At 31 December 2021 (As restated)	188	89,240	-	(29,007)	60,421

Details of the restatement to Profit and loss account are included in note 11.

1 Accounting policies

General information

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

Principal activity

The principal activity of the company is to act as the ultimate holding company of the EV Cargo group.

Accounting basis

As used in these financial statements and associated notes, the term 'company' refers to EVCH UK Limited and the term 'group' to the company and its subsidiaries. These separate financial statements of the company are prepared in accordance with, and presented as required by, the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework'. FRS 101 incorporates, with limited amendments, the recognition and measurement requirements of UK-adopted international accounting standards.

Financial statements

The financial statements are prepared on a going concern basis and under the historical cost convention.

New and amended accounting standards effective during the year

There have been no new or amended accounting standards or interpretations adopted during the year that have a significant impact on the financial statements. 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.

Exemptions

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. The company intends to continue to take advantage of these exemptions in future years. Further detail is provided below. Where required, equivalent disclosures have been given in the consolidated financial statements of the group. The group consolidated financial statements for the year ended 31 December 2022 contain a consolidated cash flow statement. Consequently, as permitted by IAS 7 'Statement of Cash flow', the company has not presented its own cash flow statement. The group consolidated financial statements for the year ended 31 December 2022 contain related party disclosures. Consequently, the company has taken advantage of the exemption in IAS 24, 'Related Party Disclosures' not to disclose transactions with other members of the group. The group consolidated financial statements for the year ended 31 December 2022 contain financial instrument disclosures which comply with IFRS 7, 'Financial Instruments: Disclosures'. Consequently, the company is exempt from the disclosure requirements of IFRS 7 in respect of its financial instruments.

Taxation

Full provision is made for deferred taxation on all temporary differences which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be sufficient taxable profits from which the underlying timing differences can be deducted. The deferred tax balances are not discounted.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the company's shareholders. Interim dividends are recognised when they are paid; final dividends when authorised in general meetings by shareholders. Dividend income is recognised on receipt.

Investments

Investments are reviewed for impairment if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows of the investment.

1 Accounting policies (continued)

Debtors

Debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Creditors

Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Repurchased shares of the company are recorded in the balance sheet as part of own shares and presented as a deduction from shareholders' equity at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less.

2 Expenses

The auditor's remuneration for audit and other services is disclosed in note 13 to the consolidated financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. 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.

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.

The only significant judgement made by management in preparing these financial statements relates to the impairments of the recoverable value of investments and debtors.

4 Investments

	2022 £ 000	2021 £ 000
Investments in subsidiaries	142,465	142,465

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2021	166,965
Impairment	(24,500)
At 31 December 2021 and 31 December 2022	142,465
Carrying amount	
At 31 December 2021 and 31 December 2022	142,465

A full list of subsidiaries is contained in Note 41 to the consolidated financial statements. The directors have compared the carrying value of investments and receivables in the company's subsidiaries to their recoverable amounts by considering underlying net assets or future discounted cash flows and where appropriate made impairments to lower these to what is supportable. This resulted in the restatement to the investment balance as at 31 December 2021, as discussed in note 11.

5 Debtors

	2022 £ 000	2021 £ 000
Amounts owed by subsidiaries	36,165	9,868
Amounts owed by related parties	-	7,319
	36,165	17,187

Where balances are not interest free, amounts owed by subsidiaries carry interest between 4.1% and 6% and are repayable on demand.

6 Creditors

Current liabilities	2022 £ 000	2021 £ 000
Other creditors	343	-
Amounts due to subsidiaries	75,121	48,079
Amounts due to related parties	335	7,653
	75,799	55,732

Amounts owed to subsidiaries include a loans with no fixed repayment date, that carry interest of between 2.5% and 6%.The balance owed to related parties is interest free and repayable on demand.

6 Creditors (continued)

	2022 £ 000	2021 £ 000
Non-current liabilities:		
Amounts due to related parties	-	43,500
	-	43,500

Amounts due to related parties consisted of Unsecured Loan Notes of £43,500k. These carried interest at 2.1%. Those were formally waived during the year ended 31 December 2022.

7 Called up share capital

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	**£**	**No. 000**	**£**
Ordinary shares of £1 each	188	188	188	188

8 Reserves

Share premium reserve

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

Profit and loss account

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

Capital contribution reserve

Represents the waiver of the unsecured loan notes from the related party. This reserve is distributable.

9 Contingent liability

The company has a cross guarantee with its bankers in favour of certain group companies. The cash balance of each of these group companies as at 31 December 2022 was positive (2021: positive).

10 Other information

Dividends

No interim nor final dividend is proposed in respect of the year ended 31 December 2022 (2021: £nil).

Employees

The company had no employees during the year (2021: no employees).

Related party transactions

The company has a related party relationship with its subsidiaries and companies under the same ownership. Details of balances outstanding with subsidiary companies are shown in notes 5 and 6.

11 Prior year restatement

	Previously reported £ 000	Investment impairment £ 000	As restated £ 000
Fixed assets			
Investments	166,965	(24,500)	142,465
	166,965	(24,500)	142,465
Current assets			
Debtors	17,187	-	17,187
Cash and cash equivalents	1	-	1
	17,188	-	17,188
Current liabilities			
Creditors	(55,732)	-	(55,732)
Net current liabilities	(38,544)	-	(38,544)
Non-current liabilities	(43,500)	-	(43,500)
Total net assets	84,921	(24,500)	60,421
Capital and reserves			
Called up share capital	188	-	188
Share premium reserve	89,240	-	89,240
Profit and loss account	(4,507)	(24,500)	(29,007)
Total equity	84,921	(24,500)	60,421

The directors compare the carrying value of investments and receivables in the company's subsidiaries to their recoverable amounts by considering underlying net assets or future discounted cash flows and where appropriate make impairments to lower these to what is supportable.

During the 2022 audit it was identified that the forecasts used in the impairment reviews of the company's investment in Epiphany Operations Limited as at 31 December 2021 were not the most appropriate. The forecasts used had been set during 2021, and did not reflect all the indicators of economic downturn that could have been factored in at that time, and were considered to be stretch targets for the business. An impairment was identified during the impairment review exercise performed as at December 2022, and it was determined that this would have also arisen in 2021, if more cautious forecasts that represented management's best estimate at that time had been utilised. Therefore the impairment of £24,500k that has arisen has been treated as a prior year adjustment at 31 December 2021.