Schenker Limited

Annual Report and Financial Statements

31 December 2022

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Contents

Company Information

Directors
A Scott
A Jennings
D Mansfield
M T Burke – appointed 9th May 2023
N C Watts – appointed 20th March 2023
J Gillam – appointed 20th March 2023
J Heard – appointed on 20th March 2023
S Cuddeford

Secretary
N C Watts – appointed on 7th July 2022

Independent Auditors
PricewaterhouseCoopers LLP
40 Clarendon Road
Watford, Hertfordshire
WD17 1JJ
United Kingdom

Bankers
Deutsche Bank AG
1 Great Winchester Street
London EC2N 2DB

Solicitors
Myton Law
Tower Street
Hull
HU1 4BG

Registered Office
Schenker House
Unit 3 LHR Portal
Scylla Road, London Heathrow Airport
Hounslow
Middlesex TW6 3FE

Strategic report

The directors of Schenker Limited (the 'Company') present their strategic report for the year ended 31 December 2022.

Principal activities

The Company's principal activities are international freight forwarding and logistics. Our business includes the distribution by air, ocean, land as well as the provision of logistics services and services in specialist areas such as fairs, exhibitions, and projects.

As an international freight forwarder and logistics provider, Schenker Limited operates as part of the global Schenker network, with its coverage of branches providing service to customers throughout the UK and globally.

The profit for the financial year amounted to £24,856k (2021: £13,950k). This substantial increase on prior year was mainly due to an improvement in business performance across all products.

Key Performance Indicators (KPIs), trading results and performance

The main KPIs for the company are considered to be revenue growth and profitability.

In 2022 the Company saw an upturn in revenue of 26% compared to prior year.

- Ocean turnover increased by 26%, which was driven by the increase in the market rates and yields.
- Air freight turnover increased overall by 13%, with higher volumes than 2021.
- Logistics continued to grow with an increase in turnover of 20% compared to 2021.
- Fairs turnover increased by 109% compared to 2021.
- This year's revenue also included the land revenue stream from November 2022 to December 2022, due to the full integration of Redhead Holdings Ltd and Redhead Freight Ltd on 01 November 2022

An increase of 27% in gross profit was driven mainly by the Ocean revenue stream, although Air and Logistics also saw an improvement.

The profit before tax for the financial year was £31,671k (2021: £14,976). This was an increase of 111% mainly due to the increase in turnover and the reversal of the impairment on investment on Redhead Holdings Limited and Redhead Fright Limited.

In addition, the Company monitors several other financial and non-financial KPIs. Both financial and non-financial directors of the Company manage these KPIs at a group level and these are disclosed in Deutsche Bahn AG's 2022 annual report.

Balance Sheet Position

The Company had an actuarial gain of £2,810k as compared to an actuarial gain in 2021 of £2,595k.

The net asset position increased in 2022 by £4,121k. Total shareholder's funds were £40,237k as of 31 December 2022 (2021: £36,116k).

The total increase in PPE was £11,440k, out of which £8,921k relates to Redhead Holdings Ltd and Redhead Freight Ltd.

The actuarial gain as well as the profit for the financial year of £24,856k have positively impacted the overall equity position. Total shareholder funds were expected to increase by £26,963k, however this has been offset by the creation of the other reserve of (£22,842k) on the acquisition of trade and assets of Redhead Holdings Limited and Redhead Freight Limited.

Strategic report (continued)

Balance Sheet Position (continued)

The Company maintains a healthy cash balance in its Group pooling facility of £29,206k (2021: £35,489k). There has been a slight decrease in the cash balance in 2022 due to the payment for the acquired land business.

Future Developments

For 2023, our primary business focus remains on profitable growth and continuing to build our customer base within the UK and International marketplace.

Continued investment in facilities, information systems and FTE resourcing within all business categories support and enhance the Company's business plan for further growth in market share and the resulting improved financial performance.

The operational strategy of the Company is closely aligned to the strategy of the Schenker Group and our ultimate parent, Deutsche Bahn AG. Business and operational plans are created per business area with the support of the Schenker AG Group outlining the key initiatives for short, medium, and long-term development and growth.

DB Schenker is a world class logistics provider with a diverse product range and has proven capability to meet these demands and support companies to manage through the global transport capacity constraints. Strategic partnering with customers and the global network of Schenker will enable the Company to continue to meet future customer demands and rise to the challenges and disruption in the market.

Section 172(1) statement

The disclosures in the Stakeholder Engagement in the Directors Report describe how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006. The Company's principal activities are freight forwarding and logistics throughout the UK and globally. The information regarding our assessment of environmental and community issues associated with our operations, including how we maximise our positive impacts and minimise the negative impacts, is reported to and complied with in the relevant jurisdictions.

Principal risks and uncertainties

Deutsche Bahn AG has a group risk management function, and the Company is required to prepare a detailed risk evaluation annually for all key risk areas. The principal risks facing the Company are broadly grouped as severe shipping capacity constraints, labour availability in the marketplace, financial risks, and competitive risk. Shipping constraints depend on the unpredictable development of capacity, due to the emissions regulations for older vessels, extreme weather constraints, falling freight rates, the possible impact of Covid-19, which is still ongoing globally at certain ports, and changing consumer behaviour because of economic developments. With the number of infections or new variants possibly rising, new measures may be taken that could have a negative impact on the demand for mobility and transport services. In addition, the further possible effects of the war in Ukraine are impossible to assess. It is also difficult to estimate the medium-term development of the increased inflation levels. See page 9 of the Directors' Report for further detail regarding financial risks.

Strategic report (continued)

Competitive risk

The principal competitive risks the Company faces as a freight forwarding business are from other large multi-nationals chasing market share in a highly competitive marketplace. The market is also highly concentrated which causes changes in the offerings of cargo space which ultimately impacts the sale and purchase prices. The Company works closely with the wider Group to mitigate the impact of these risks on the business.

UK-EU Trade Deal

As of 31 December 2020, the UK left the EU. The consequences of its departure had led to many challenges in cross trade business dealing between the UK and the EU. For customs, the UK is now treated as any other non-EU country. To move goods efficiently between the UK and the EU, custom declarations when importing and exporting goods are now required, along with other checks and controls.

Businesses continue to find it challenging and costly to import and export to and from the EU despite a trade deal being negotiated and operated through 2021. From November 2022, the land business was fully integrated into Schenker Limited. This has led to increased revenues within the land division. IT solutions are being rolled out to adapt to changes, such as an own billing system which will be implemented in 2023.

Michael Burke

Michael Burke

On behalf of the board

29/06/2023

Directors' Report

The directors of Schenker Limited (the 'Company') present their Directors' report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the financial year was £24,856k (2021 £13,950k) which has been added to the reserves.

The directors do not recommend the payment of a dividend.

Future Developments

See page 5 of the Strategic Report of the financial statements.

Employee Engagement

We believe that employee engagement is key to our success. We are committed to creating a positive and inclusive workplace culture where our employees feel valued, supported, and empowered. In 2022, we continued to prioritize employee engagement by implementing various initiatives such as our bi-annual survey, employee feedback sessions, and hybrid working. Throughout 2022 we also continued to encourage our people to take part in monthly events to help develop and support their health and wellbeing. These initiatives have helped us to better understand our employees' needs and preferences, and to create a more collaborative and cohesive workforce.

Learning and Development

We recognise the importance of continuous learning and development for our employees. In 2022, we invested heavily in employee training and development programs, which included both online and in-person training sessions, coaching, and mentoring. Our employees were also given access to various online learning resources, such as webinars and e-learning modules, to help them enhance their skills and knowledge.

Diversity and inclusion

We are committed to fostering a diverse and inclusive workplace. In 2022, we continued to promote diversity and inclusion by implementing various initiatives, such as unconscious bias training, diversity, and inclusion awareness campaigns. These initiatives have helped us to create a more inclusive and equitable workplace culture where all employees feel valued and supported.

Directors' report (continued)

Employment of people with disabilities

We are committed to providing equal employment opportunities for all individuals, including those with disabilities. In 2022, we continued to prioritize the employment of people with disabilities by implementing various initiatives and workplace accommodations. These initiatives have helped us to create a more inclusive and diverse workforce, while also providing opportunities for individuals with disabilities to realize their full potential.

Reward and Recognition

We believe in recognizing and rewarding our employees for their hard work and dedication. In 2022, we continued to implement various reward and recognition programs, such as employee of the quarter awards, peer recognition programs, and spot bonuses. These programs have helped us to foster a culture of appreciation and recognition, and to create a more motivated and engaged workforce.

Looking ahead

As we look ahead to 2023, we remain committed to creating a positive and inclusive workplace culture that fosters employee engagement, learning & development, diversity, and inclusion. We plan to continue investing in our employees by providing them with access to training and development programs, and by implementing initiatives that promote diversity and inclusion. We also plan to further enhance our reward and recognition programs, to ensure that our employees feel valued and appreciated for their contributions. Finally, we remain committed to providing equal employment opportunities for all individuals, including those with disabilities, and to creating a more diverse and inclusive workforce.

Creditors' payment policy

It is the Company's policy in respect of suppliers to negotiate appropriate credit terms and to agree payment terms in advance of the supply of services and to adhere to those payment terms. Trade creditors at the year-end represented 31 days (2021 - 32 days) purchases.

Directors

The directors who served the Company during the year and to the date of approval of the financial statements were as follows:

A Scott
A Jennings
D Byrne – resigned 20th March 2023
D Mansfield
M Burke – appointed 9th May 2023
N C Watts – appointed 20th March 2023
J Gillam – appointed 20th March 2023
J Heard – appointed 20th March 2023
S Cuddeford

Directors' report (continued)

Director's insurance and indemnities

The Directors have the benefit of indemnity provisions provided by group. The Company has entered into a qualifying group indemnity arrangement for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, interest rate risk and price risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring working capital. The policies set by the board of directors are reviewed and implemented by the Company's finance department. The department has specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit checks are conducted with the support of an external credit reporting information.

Liquidity risk

The Company actively maintains available Group lines of credit and regular cash flow forecasts are made to ensure the Company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include group loans, all of which earn interest at variable interest rates. The Interest-bearing liabilities relate to finance leases, therefore have fixed interest rates. The Company has a policy of maintaining debt, when required, at variable interest rate. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has and continues to be in a net depositing position.

Price risk

The Company is exposed to commodity price risk because of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. Procurement activities are carried out to ensure minimal risk in this area. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risk as it holds no listed or other equity. The Company's hedging is managed at Group level and the Company facilitates the hedging process. The Company maintains US Dollar and Euro bank accounts for receipts and payments of transactions in these currencies. Purchase of required funds and sale of excess funds in these currencies are managed through the Deutsche Bahn AG treasury department.

Directors' report (continued)
Stakeholder Engagement, *Shareholders* (continued)

Stakeholder Engagement

Shareholders

Schenker Limited's parent is Schenker AG and our ultimate controlling company is Deutsche Bahn AG. Schenker AG as the sole shareholder, provides the funding, strategic framework, and structure for Schenker Limited to reach its true potential. Schenker AG expects Schenker Limited to meet the highest corporate governance standards and deliver on the overall group strategy. It takes a long-term view on its investments.

Schenker Limited adheres to strict rules of procedure prescribed by the shareholder to ensure good corporate governance. It ensures all employees are trained in compliance topics such as anti-trust, conflict of interest and the giving/receiving of benefits. The shareholder carries out regular audits to validate compliance with rules of governance and trade compliance.

Governments and regulators

Schenker Limited recognises the vital importance of complying with country regulations and engaging with government agencies. We must comply with all regulations in order to be allowed operations in our sector, to protect the good name of the company and of course avoid penalties.

As a company we have open and active engagement with HMRC. We have training programmes in place to ensure our staff are trained on key regulatory areas such as customs procedures. Corporation tax, VAT, and income taxes are always paid on time. We are subject to regular audits to validate our strict compliance to government regulations.

During the financial year, the Company took the decision to comply with the government rules due to Brexit, on behalf of the Company's customers, which required custom compliance documentations. This directly increased revenue through the Company's brokerage revenue stream.

Workforce

Employees are encouraged to discuss with management and those charged with governance, matters of interest to the employees which affect working at Schenker Limited. The Company is keen to include all employees where practicable. Regular consultations with employees are carried out, so that the employees' views may be considered in making decisions that are likely to affect their interests. Also see page 6 & 7 of the Directors Report.

Suppliers

Our supply chain is a key component of our day-to-day operations. We are dependent on our suppliers delivering on time to ensure that our operations generate maximum value. Through collaborative working relationships, we aim to deliver mutual value and a sustained commitment from our suppliers.

Supplier relationship management is ultimately the responsibility of each individual contract owner to ensure that value over and above the scope of the contract is realised. Suppliers are validated, approved, and held accountable through a rigorous process that ensures high standards of service delivery and adherence to environmental and legal obligations. We in turn monitor payments and ensure suppliers are paid in accordance with terms.

Directors' report (continued)

Stakeholder Engagement, *Shareholders* (continued)

During the financial year, the Company saw a significant increase in fuel costs, which impacted costs of the business. Decisions were made by management to ensure that the best quality and service was provided by suppliers. This was done by regular engagements taking place with suppliers, at a senior level, to ensure that the increase in costs will not affect the procurement of services.

Customers

Schenker Limited has a wide and loyal customer base. Successful growth and achievement of targets is dependent on meeting our customer's needs. We pride ourselves on our premium product, offering delivery of transportation services at an optimum price point.

The sales team is highly organised and focussed on understanding the customer needs. We constantly review the quality of our service delivery through regular quarterly customer reviews, customer surveys and direct feedback. We strive to achieve the best price for our customers through the scale of our purchasing power and global network. Our pricing is regularly reviewed with our customers.

Political donations

There were no political donations during the year (2021: nil)

Streamed energy and carbon reporting (SECR)

The Company is committed to continual environmental improvements including prevention of pollution, reduction in waste generation and utilisation of sustainable energy resource. This is reinforced by the continued certification of an integrated Quality, Health, Safety and Environment management system to standards Schenker has successfully completed a recertification audit covering the 9001:2015, 14001:2015 and ISO 45001:2018 audits in December 2022.

Methodology
Our Scope 1, Scope 2 and Scope 3 energy use and greenhouse gas emission data for 2022 has been produced using information provided by the supplier directly and the calculation of the CO2 footprint was performed using 3rd party conversion formulae. Assumptions and estimations are only used when strictly necessary by means of the most robust data and assumptions available.

Where actual emissions for the financial year are not available by the reporting date, the company applies the use of estimates for the last one to two months of the period.

Where actual emissions data from energy consumption is not available for an individual branch, the company calculates average energy consumption per square metre for its branches across the actual usage for which full data is available. This average is then applied to the individual branch's square meterage. We do not consider refrigerant losses on our air conditioning units to be material and as such these are not reported in our emissions data.

Greenhouse gas (GHG) emissions are calculated in line with GHG Reporting Protocol – Corporate standard and reported in line with the UK Government's Guidance on Streamlined Energy and Carbon Reporting ("SECR") and mandatory GHG reporting guidance.

The boundary has been set based upon operational control approach on our business activities and property portfolio.

In line with SECR guidance as a non-listed entity we have not included train business travel within our footprint, nor have we included non-UK emissions. Otherwise, there is 100% alignment with our financial reporting. 100% of our energy consumption and carbon emissions declared are UK based.

Directors' report (continued)

Streamed energy and carbon reporting (SECR) (continued)

For business travel by air and road, the company analyses mileage information from expense claims and data provided by booking agent to establish the level of emissions.

Breakdown of energy consumption is as follows:

		2022		2021
		tCO2e		tCO2e
Total Electricity Used (kWh)	3,191,397	744	3,046,546	1071
Total Gas Used (kWh)	1,512,393	278	2,390,240	440
Business miles (road)	375,094	107	115,127	34
Business miles (air)	284,340	46	30,000	8
Total tCO_2e		**1,175**		**1,553**
Intrinsic measurement Tonnes of CO_2e per meter squared (tCO_2e/m^2)		0.014		0.0219

Within the UK, Schenker Limited have strategically closed warehouses and opened new. Several other warehouses have had their operational objectives reviewed in line with business requirements, all continuing to have sustainability at the forefront of management of change and ensuring all BAT (Best available techniques/technologies) have been applied, included but not limited to, temperature insulation, utilising natural light, using fast-regenerating resources obtainable from the building's surrounding region and installing modern lighting systems, solar energy units and rainwater utilisation systems. Total gas consumption has reduced because of energy efficient initiatives such as temperature-controlled warehouses, as well as property renovations which have improved energy efficiency.

All stationary aspects of the business have sourced a sustainable supplier of energy resulting in 100% renewable energies used to power all Schenker Limited facilities in the UK.

The waste generated by Schenker Limited facilities has a target of a minimum of 60% of waste being recycled with zero to landfill. Recycling occurs as a secondary preference to waste prevention and re-use. Initiatives to reuse waste included cardboard box shredding to reuse as packaging material and wood waste was re-used for numerous projects such as employee seating and signage boards in addition to numerous IT solutions.

Further developments include a new global reporting tool which also provides tools to calculate instantly the carbon footprints of our activities as a business which include travel, energy use and waste management.

As part of the wider business, tools have been created to assist our customers in making more informed decision regarding transportation methods with evidence of their carbon footprints caused by transporting their goods using various transport modes. This tool is the SBI (Schenker Business Intelligence) and is linked to all the transport management systems to provide this information.

Directors' report (continued)

Post Balance Sheet Events

The company's wholly owned subsidiaries, Redhead Holdings Ltd and Redhead Freight Ltd, were liquidated on 29th March 2023. On 2nd May 2023, Schenker Limited purchased a warehouse in Manchester for £10m. Besides this, no significant events occurred after the balance sheet date.

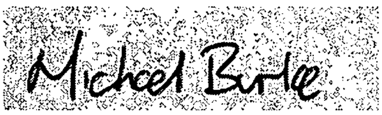
Directors' confirmation

In the case of each director in office at the date the Directors' Report is approved.

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.



Michael Burke, CFO

On behalf of the board

29/06/2023

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Michael Burke

Michael Burke, CFO

On behalf of the board

29/06/2023

Independent auditors' report to the members of Schenker Limited

Report on the audit of the financial statements

Opinion
In our opinion, Schenker Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

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

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

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not

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

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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax and employment legislation, custom duties and equivalent local laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. 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 the posting of inappropriate journal entries to manipulate financial results and potential management bias in the selection and application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Reviewing minutes of meetings of those charged with governance.
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud.
- Challenging assumptions made by management in the selection and application of significant accounting judgements and estimates.
- Identifying and testing the validity of journal entries, in particular certain journal entries posted with unusual users or account combinations.

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

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

- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Alex Hookway (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Watford

29/06/2023

Income Statement
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	**3**	439,383	349,364
Cost of sales		(341,665)	(269,614)
Gross profit		**97,718**	**79,750**
Administrative expenses		(70,424)	(59,464)
Impairment	**4**	-	(4,622)
Reversal of Impairment on Investment	**4**	4,622	-
Other Operating income	**5**	-	22
Operating Profit before interest and tax		**31,916**	**15,686**
Income from shares in group undertakings		51	15
Interest receivable and similar income	**8**	571	69
Interest payable and similar expenses	**9**	(868)	(720)
Finance income/(cost) on defined pension	**18**	1	(74)
Profit before tax		**31,671**	**14,976**
Tax on Profit	**10**	(6,815)	(1,026)
Profit for the financial year		**24,856**	**13,950**

Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022 £0	2021 £0
Profit for the financial year		24,856	13,950
Other comprehensive income/(expense):			
Amounts that will not be subsequently reclassified to profit and loss			
Remeasurement gain on pension schemes	**18**	2,810	2,595
Deferred tax on pension schemes	**10**	(703)	(450)
Intergroup Transfer		-	(7)
Other comprehensive income for the year		2,107	2,138
Total comprehensive income for the year		**26,963**	**16,088**

Balance Sheet
as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed Assets			
Tangible assets	**11**	18,480	11,959
Right-of-use assets	**12**	26,140	26,394
Investments	**13**	1	4,779
		44,621	**43,132**
Current Assets			
Debtors:			
Amounts falling due within one year	**14**	114,842	125,692
Amounts falling due after more than one year	**14**	12,316	7,254
Pension Assets	**18**	4,570	-
		131,728	**132,946**
Cash at bank and in hand		1	2
		131,729	**132,948**
Creditors: amounts falling due within one year	**15**	(99,530)	(101,524)
Net current assets		**32,199**	**31,424**
Total assets less current liabilities		**76,820**	**74,556**
Creditors: amounts falling due after more than one year	**16**	(32,045)	(32,274)
Provisions for liabilities	**17**	(4,538)	(4,565)
Pension provision	**18**	-	(1,601)
Net assets		**40,237**	**36,116**
Capital and reserves			
Called up share capital	**19**	700	700
Share premium account		56,150	56,150
Other reserve		(22,842)	-
Profit and loss account		6,229	(20,734)
Total shareholders' funds		**40,237**	**36,116**

The Financial statements on page 19 to 48 were approved by the Board of Directors and authorised for issue on 29/06/2023, and are signed on behalf of the board by:

Michael Burke Michael Burke
CFO

Statement of Changes in Equity
for the year ended 31 December 2022

	Called up Share Capital	Share Premium Account	Merger reserve	Profit and Loss Account	Total Equity
	£000	£000	£000	£000	£000
At 1 January 2021	**700**	**56,150**	**-**	**(36,822)**	**20,028**
Profit for the financial year	-	-	-	13,950	13,950
Other comprehensive Income for the year	-	-	-	2,138	2,138
Total comprehensive Income for the year	**-**	**-**	**-**	**16,088**	**16,088**
At 31 December 2021	**700**	**56,150**	**-**	**(20,734)**	**36,116**
Profit for the financial year	-	-	-	24,856	24,856
Other comprehensive expense for the year	-	-	-	2,107	2,107
Total Comprehensive income for the year		-	-	26,963	26,963
Other reserve on integration		-	(22,842)	-	(22,842)
At 31 December 2022	**700**	**56,150**	**(22,842)**	**6,229**	**40,237**

The notes on pages 23 to 48 form part of these financial statements

Notes to the Financial Statements

1.Statement of compliance with FRS 101

The Company is a private limited company, limited by shares and is domiciled and incorporated and registered in England, United Kingdom.

The address of the registered office is: Schenker House, Unit 3 LHR Portal, Scylla Road, London, Heathrow Airport, Hounslow, Middlesex TW6 3FE.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ('FRS 101') and under the historical cost convention and in accordance with the Companies Act 2006.

The Company's financial statements are prepared in Sterling which is also the Company's functional currency and all values are rounded to the nearest thousand pounds (£000), except when otherwise indicated.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Deutsche Bahn AG and is included in the group financial statements of Deutsche Bahn AG which are publicly available. The address of the ultimate parent's registered office is Potsdamer, Platz 2, 10785 Berlin, Germany.

The principal accounting policies adopted by the Company in preparing the financial statements are applied consistently, compared to prior year.

2. Accounting policies

2.1 New standards, amendments, IFRS interpretations and new relevant disclosure requirements.

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

2.2 Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement – (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:

  - paragraph 79(a)(iv) of IAS 1;

  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;

  - paragraph 118(e) of IAS 38 Intangible Assets (reconciliation between the carrying amount at the beginning and end of the period);

- the requirements of paragraphs 10(d), 16, 38(a), 38b-d, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 of IAS 24 Related Party Disclosures; and
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Company's accounting policies.

The following judgements and estimates have the most significant effect on amounts recognised in the financial statements:

Investment provision - estimate

Investments in subsidiaries are recorded at costs less provisions for any impairment. Investments in subsidiaries are reviewed for impairment when there are events or conditions that may indicate impairment.

Allowance for doubtful receivables - estimate

The impairment of doubtful receivables to a considerable extent comprises assessments and appraisals of individual receivables which are based on the creditworthiness of the customer, current economic developments as well as an analysis of historic bad debts at the portfolio level. If the impairment is derived based on historical default rates at the portfolio level, any decline in the overall volume of receivables results in a corresponding reduction of such provisions (and vice versa).

Taxation - estimate

Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with an assessment of the effects of future tax planning strategies. Further details are included in note 10.

Pensions - estimate

The cost of the defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are included in note 18.

Leases - judgement

Regarding defining the duration of the lease, management takes account of all facts and circumstances which have an influence on the possible exercising of a prolongation option or termination option. This judgement is reviewed regularly.

Notes to the Financial Statements (continued)
2. Accounting polices (continued)
2.4 Significant Accounting Policies (continued)

Combinations among entities under common control – judgement

There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. Therefore management applied judgment in order to select the method broadly described as predecessor accounting. As a result, the assets and liabilities of the acquired entity are stated at predecessor carrying values and fair value measurement is not required. As a result, no new goodwill arises in predecessor accounting.

Going concern

Management of the Company have prepared detailed cash flow forecasts out to December 2024, demonstrating that the Company will be able to operate comfortably within their cash pooling funds.

The Company meets its day-to-day working capital requirements through access to funds as part of the Deutsche Bahn AG group's cash pooling arrangement that is administered through DB Mobility Logistics AG, a fellow group company, which acts as an internal bank for subsidiaries of Deutsche Bahn AG.

As of 31 December 2022, the Company had access to funds of £29,206k as part of the contractual cash pooling terms and conditions. Under the cash pooling arrangements, there is no cash held by the Company - all balances are 'swept' to DB Mobility Logistics AG at the end of business on each day.

The Company is wholly dependent on these cash pooling arrangements for access to the cash flows necessary for the day-to-day running of the company and to support the going concern assertion. The company's forecasts and projections (described further below), taking account of reasonably possible changes in trading performance, show that the company is expected to be cash generative, and should be expected to be a net depositor into, rather than borrower from, the cash pooling facility. The company has received confirmation that the Group will not withhold any positive cash pool balances that the Company has and will continue to make such balances available to the Company.

Cash flows have been prepared, taking into consideration the financial impacts of the current economic conditions, assuming that all current operations are continuing, there is no change in control or strategic direction of the business and there are no current active offers for the sale of the Schenker AG sub group that is being pursued by Deutsche Bahn AG, and covering a period of at least 12 months from approval of the financial statements. The forecast demonstrates the impact of affected costs and revenues on the business and how these will affect the free cash flow as well as the EBIT and EBITDA margins. Therefore, no additional loan facility will be required as the cash flow forecast shows a strong position, allowing the Company to still be able to operate as a going concern.

The company has already performed strongly in the first half of 2023 and this in turn is having a positive impact on cashflow. In favour of this, the Company paid back a £7 million loan to its ultimate controlling company Deutsche Bahn AG on 30 September 2022.

In preparing the financial statements, the company's management assumes that the entity will be able to continue as a going concern.

The further development of the industry as well as consumer behaviour has also been assessed based on externally available information, and planning has been derived therefrom.

Notes to the Financial Statements (continued)

2. Accounting polices (continued)

2.4 Significant account policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost (which includes costs directly attributable to the acquisition of the item) less accumulated depreciation and accumulated impairment losses.

Depreciation, on a straight-line basis is charged on all tangible fixed assets, excluding freehold land and assets under construction, at rates calculated to write off the cost, less the estimated residual value of each asset evenly over its expected useful economic life.

Freehold buildings	-	2% p.a.
Short leasehold land and buildings	-	over the lease term
Plant, machinery, and vehicles	-	25% p.a.
Computers	-	33% p.a.
Fixtures and fittings	-	12% p.a.

Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Investments

Investments in subsidiaries are recorded at their purchase price less provisions for any permanent impairment in value.

Revenue recognition

Revenue recognition in accordance with IFRS 15 is based on the principle that revenues are recognized when control over a product or service is transferred to the customers. Revenues generated by the rendering of services are recognized with the amount which is expected as the consideration as soon as control over the services has been transferred.

They are recognised at their fair value.

Services provided by the Company are normally completed within a few days or weeks other than contractual relations with clients in the logistics segment which may span several years.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Revenue by business segment is recognised as follows:

(a) Air and Ocean freight forwarding and distribution – when goods arrive or leave the port or airport in the United Kingdom.

(b) Fairs – in the period over which the services are provided in relation to each individual trade fair and exhibition.

(c) Logistics – in the period when the services are provided in relation to each individual logistics contract.

(d) Land – in the period when the services are provided.

(e) Customs brokerage - in the period when the services are provided in relation to each individual contract.

(f) Inter group services - in the period when the services are provided.

Revenue includes accrued income for services rendered but not yet invoiced.

Revenues generated in the Company relate to the provision of freight transport and logistics services, less value-added tax, discounts, and any price reductions.

Contractual relations with clients covering several years also exist in the contract logistics line of business, which accounts for about 6% of the Company's revenues.

All expense and income items are normally recognized without being netted unless the accounting principles under IFRS permit or require netting.

The exemption regulation of IFRS 15.121 (a) has been used.

Income taxes and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates and laws enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying value of deferred income tax assets is reviewed at each balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Leasing and hire purchase commitments

The company leases various offices, warehouses, equipment, and vehicles. Rental contracts are typically made for fixed periods of 12 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture."

Sub-leasing

The company has 3 sub-lease contracts. Schenker Limited determines the classification of the sublease based on the underlying asset, rather than the right-of-use asset rising for the head leases.

The company uses the rate implicit in the lease to classify the sublease and measure the net investment in a sublease. If that rate cannot be readily determined, the discount rate in the original head lease is used.

Provisions

Other provisions are set aside if there is a legal or constructive obligation resulting from a past event which is more than 50% likely to result in an outflow of resources and if the extent of the obligation can be reliably estimated (IAS 37 - Provision, Contingent Liabilities and Contingent Assets).

Non-current provisions are discounted using market interest rates of 2.71%.

Financial instruments

The Company has no derivative instruments. The Company has basic financial instruments as follows:

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand. They are short term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

Short term debtors and creditors

Debtors and creditors with no stated interest rate receivable or payable within one year are recorded at transaction price. Any losses arising from impairment would be recognised in the income statement in the year.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)
2.4 Significant accounting policies (continued)

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 services 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.

Financial assets

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

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

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset is impaired.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

Dividend income

Dividend income is recognised when the right to receive payment is established.

Pensions

Defined Contribution Plan

During the year the Company participated in a Money Purchase arrangement on a Personal Pension basis, which required contributions to be made to separately administered funds. Contributions to these funds are calculated as a percentage of salary and are accounted for on an accrual basis.

Defined Benefit Plan

Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high-quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period and past service costs arising from plan amendments or curtailments are charged to operating profit. The net interest expense relating to the defined benefit assets and liabilities is included in other finance income. Re-measurement gains and losses are recognised in the statement of other comprehensive income.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)
2.4 Significant accounting policies (continued)

Other Reserve

The other reserve relates to the excess of consideration paid over the net book values of the acquired trade and assets of Redhead Holdings Limited and Redhead Freight Limited. As this was a transaction under common control, no goodwill is recorded in the company's separate financial statements, so the excess is recorded within reserves.

Business combinations under common control

The company used the purchase method as the accounting treatment for the business combination of Redhead Freight Limited and Redhead Holdings Limited.

To measure the cost of the business combination, the total fair value of any consideration given in exchange for control, plus any costs of acquisition is used.

The company identifies and determines the fair value of the assets, liabilities, and contingent liabilities of the acquiree at the acquisition date. Any difference between this and the cost of the business combination is recognised in equity. The difference is presented as a capital reverse.

3. Turnover

Turnover represents the value of services rendered to customers in the United Kingdom as an international freight forwarder and logistics provider and is shows net of value added tax.

Turnover by geographical market:	2022	2021
	£000	£000
United Kingdom	308,548	261,294
Europe	64,603	36,559
Americas	34,774	29,213
Rest of the world	31,458	22,298
	439,383	**349,364**

Turnover by business segment:	2022	2021
	£000	£000
Air	141,620	125,522
Ocean	232,310	184,910
Fairs	11,510	5,508
Logistics	25,613	21,276
Land	13,557	-
Brokerage	4,218	1,840
Other intra-group service	10,555	10,308
	439,383	**349,364**

Notes to the Financial Statements (continued)

3. Turnover (continued)

Contractual assets (accrued income) are recognised together within trade debtors in note 14 and have developed as follows:

	2022	2021
	£000	£000
Contractual Assets		
As of 1st January	4,055	1,414
Additions	1,472	3,548
Fulfilment	(2,555)	(907)
As of 31st December	**2,972**	**4,055**

The company does not receive advance payments therefore there are no contractual liabilities.

4. Impairment

	2022	2021
	£000	£000
Investments at 1st January	4,779	9,401
Impairment in the year	-	(4,622)
Reversal of Impairment in the year	4,622	-
Receipt of return on capital dividend	(9,400)	-
As of 31st December	**1**	**4,779**

Impairment of the investment in Redhead Holdings Limited and Redhead Freight Limited was made partially during 2021 but was then reversed and reclassed to Shareholder's Equity as part of return on capital dividend. See note 13 for further details.

Notes to the Financial Statements (continued)

5. Other Operating Profit before interest and tax

This is stated after charging/(crediting):

	2022	2021
	£000	£000
Auditors' Remuneration:		
- Fees in relation to an audit of company's financial statements	139	108
Impairment:		
- Investments	-	4,622
- Reversal of impairment on Investment	(4,622)	-
Depreciation:		
- on owned assets	4,914	2,080
- right of use assets	5,616	5,639
(Gain) on disposal of assets	(5)	-
Foreign Exchange (gain) / loss	(806)	256
Lease expense for low value assets and short term leases	996	560
Other operating income	-	(22)

Other operating income represents amounts received under the UK Government's furlough grant scheme.

Notes to the Financial Statements (continued)

6. Director's remuneration

Directors' remuneration was as follows:	2022 £000	2021 £000
Aggregate remuneration	1,030	1,080
Pension contributions	95	33
	1,125	**1,113**

No retirement benefits are accruing to directors under a defined benefit scheme (2021-nil). Retirement benefits are accruing to five directors under a defined contribution scheme (2021: 5 directors).

Highest paid director:

	2022 £000	2021 £000
Aggregate remuneration	283	216
Pension contributions	26	8
	309	**224**

7. Staff costs

	2022 £000	2021 £000
Wages and salaries	32,486	25,504
Social security costs	3,526	2,544
Other pension costs (note 18)	1,041	748
	37,053	**28,796**

The average monthly number of employees during the year was as follows:

	2022 No.	2021 No.
Operational	590	516
Sales	32	33
Administration	125	55
	747	**604**

Notes to the Financial Statements (continued)

8. Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable on short-term deposits - group undertakings	379	-
Interest income on finance lease	183	69
Other Interest	9	-
Total other interest receivable and similar income	**571**	**69**

9. Interest payable and similar expenses

	2022 £000	2021 £000
Interest expenses on finance leases	868	720
Total interest payable and similar expense	**868**	**720**

10. Tax on profit

(a) Tax charge/(credit) to the income statement

The tax charge/(credit) is made up as follows:

	2022 £000	2021 £000
Current tax:		
UK corporation tax		
Adjustments in respect of prior periods	914	-
UK corporation tax on profits for the year	3,614	1,987
Total current tax	4,528	1,987
Deferred Tax:		
Origination and reversal of timing differences prior period	129	(174)
Origination and reversal of timing differences current period	2,158	(787)
Total deferred tax	2,287	(961)
Tax charge in the income statement	**6,815**	**1,026**

Notes to the Financial Statements (continued)

10. Tax on profit (continued)

(b) Tax relating to the items charged/(credited) to other comprehensive income

	2022 £000	2021 £000
Remeasurement gain on defined benefit pension plans	(703)	(450)
Total deferred tax	(703)	(450)
Total charge/(credit) in the statement of other comprehensive income/(expense)	**(703)**	**(450)**

(c) Factors affecting the current tax for the year

The tax charge/(credit) in the income statement for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021 -19%). The differences are explained below:

	2022 £000	2021 £000
Profit before tax	31,671	14,976
Tax on ordinary activities at 19% (2021 - 19%)	6,017	2,845
Effects of:		
Expenses non-deductible for tax purposes	(763)	57
Prior year adjustment - deferred tax	1,043	(174)
Impact of rate changes on deferred tax asset	518	(1,702)
Total tax charge/(credit) recorded in the income statement (note 10(a))	**6,815**	**1,026**

A deferred tax asset regarding the pension deficit, brought forward losses, and capital allowances has been recognised as the directors believe it is probable that future taxable profit will be available against which the carried forward losses can be utilised.

In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25% (rather than remaining at 19%, as previously enacted). This new law substantively enacted on 24 May 2021. Deferred taxes at the balance sheet have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the Financial Statements (continued)

11. Tangible assets

	Freehold land and buildings	Short leasehold land and buildings	Plant, machinery, vehicles, computers, fixtures and fittings	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2022	7,615	9,648	10,364	27,627
Additions	-	1,946	573	2,519
Acquisitions	7,113	133	1,675	8,921
Disposals	(3,232)	(2,182)	(4,975)	(10,389)
At 31 December 2022	**11,496**	**9,545**	**7,637**	**28,678**
Accumulated depreciation:				
At 1 January 2022	3,716	4,646	7,306	15,668
Charge for the year	1,443	1,424	2,047	4,914
Disposals	(3,232)	(2,177)	(4,975)	(10,384)
At 31 December 2022	**1,927**	**3,893**	**4,378**	**10,198**
Net book value:				
At 31 December 2022	**9,569**	**5,652**	**3,259**	**18,480**
At 31 December 2021	**3,899**	**5,002**	**3,058**	**11,959**

Notes to the Financial Statements (continued)

12. Right-of-use assets

The Company has lease contracts for various offices, warehouses and equipment used in the operations.

The amounts recognised in the financial statements in relation to the leases are as follows:

The Income Statement shows the following amounts relating to leases

	2022	2021
	£000	£000
Buildings	5,135	5,167
Equipment & Vehicles	481	472
Depreciation charge of right-of-use assets	**5,616**	**5,639**
Interest expense (included in finance cost)	868	720

Additions to the right-of-use assets during the 2022 financial year were £5,032k (2021 - £2,242k)

The Balance Sheet shows the following amounts relating to leases

	2022	2021
	£000	£000
Right-of-use assets		
Buildings	24,333	25,343
Equipment & Vehicles	1,807	1,051
	26,140	**26,394**
Lease liabilities		
Not later than one year	6,261	1,308
Later than one year and not later than five years	23,519	20,560
Greater than five years	8,526	11,714
	38,306	**33,582**

Expenses relating to short-terms leases (including in administrative expense) was £844 (2021: £447k).

Expenses relating to low-value assets do not show above as short-term leases (included in administrative expenses) was £152k (2021: £113k).

The total cash outflow for leases in 2022 was £6,460k (2021: £5,511k)

Notes to the Financial Statements (continued)

13. Investments

	Subsidiaries	Other participating interests	Total
	£000	£000	£000
Cost			
At 1 January 2022	9,400	1	9,401
Return of investment	(9,400)	-	(9,400)
At 31 December 2022	-	1	1
Impairment			
At 1 January 2022 the values are	(4,622)	-	(4,622)
Return of investment	4,622	-	4,622
At 31 December 2022	-	-	-
Net book Value			
At 31 December 2022	**-**	**1**	**1**
At 31 December 2021	**4,778**	**1**	**4,779**

Name	Country of incorporation	Type of incorporation	% Ordinary share capital	Business activity
Maritime Cargo Processing Plc Registered at: The Chapel, Maybush Lane, Felixstowe, Suffolk, IP11 7LL	England & Wales	Other, directly held	0.5% Participating interest	IT Systems Development
Redhead Holdings Limited Registered at: Schenker House, Scylla Road, Hounslow, England, TW6 3FE	England & Wales	Other, directly held	100% Investment in subsidiary	Freight Transport by Road
Redhead Freight Limited Registered at: Schenker House, Scylla Road, Hounslow, England, TW6 3FE	England & Wales	Other, directly held	100% Investment in subsidiary	Freight Transport by Road

On 31st October 2020, Schenker AG transferred 100% of the shares in Redhead Holdings Limited (the parent company of Redhead Freight Limited) to Schenker Limited for a consideration of £9,400k based on enterprise value. The investment in Redhead Holdings Limited was impaired on 31st December 2021.

Notes to the Financial Statements (continued)

13. Investments (continued)

On 1st November 2022, Schenker Limited acquired the UK trade, assets, and liabilities of Redhead Holdings Limited (RHL) and Redhead Freight Limited (RFL). Total fixed asset acquired amounted to £8,921k. Total trade debtors acquired amounted to £22,907k along with trade creditors totalling £44,209k. Subsequently, they received a dividend from these subsidiaries and as there is no ongoing trade within them, the final dividend of £9,400k was treated as a return of capital.

On 29th March 2023, both RHL and RFL are in liquidation.

14. Debtors: amounts falling due within one year

	2022	2021
	£000	£000
Trade Debtors	55,426	55,840
Accrued income	2,972	4,055
Amounts due from group undertakings	50,273	57,434
Other debtors	457	937
Deferred tax asset	19	19
Prepayments	3,930	3,526
Finance lease receivable	1,765	3,881
Amounts falling due within one year	**114,842**	**125,962**
Deferred tax asset	4,265	7,254
Finance Lease	8,051	-
Pensions (Note 18)	4,570	-
Amounts falling due after more than one year	**16,886**	**7,254**

Deferred tax asset

The total recognised deferred tax asset is made up as follows:

	2022	2021
	£000	£000
Fixed assets timing differences	2,280	2,264
Short term temporary differences	19	19
Tax losses	3,127	4,590
Pension (surplus) / deficits	(1,143)	400
	4,283	**7,273**

Notes to the Financial Statements (continued)

14. Debtors: amounts falling due within one year (continued)

The movement in the deferred tax asset during the year is as follows:

	2022	2021
	£000	£000
As 1 January	7,273	6,762
(Credited)/charged to the income statement	(2,287)	961
(Credited) to the statement of other comprehensive income	(703)	(450)
As at 31 December	**4,283**	**7,273**

Credit Losses

For measuring the expected credit losses, trade receivables are pooled based on common credit risk features.

The expected credit losses are determined on a collective basis using impairment matrices.

The expected credit losses amounted to £370k as of 31 December 2022 (2021: £312k).

Trade Receivables:	2022	2021
	£000	£000
Net Carrying Amount	55,426	55,840
Expected loss rate (%)	1.25	0.75
Risk Provisioning	370	312
For Past due receivables	231	163
For Not Past due receivables	139	149

Major receivable defaults can be used as the basis for breaking down the impairment matrices for past due receivables into the following maturity structure:

Risk provisioning for past due receivables:	2022	2021
	£000	£000
Up to 30 days	148	130
31 – 120 days	48	24
More than 120 days	35	9

Terms

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. All debtor balances are due within one year. Within the amounts due from group undertakings is an amount of £29,206k (2021 - £35,489k) which represent cash held by group entity on behalf of the Company.

Notes to the Financial Statements (continued)

14. Debtors: amounts falling due within one year (continued)

Average interest on the GBP clearing account as on 31 December 2022 is 2.6% (2021: nil) and on the USD account as on 31 December 2022 is 3.56% (2021: nil).

15. Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	27,794	28,732
Amounts due to group undertakings	13,147	16,782
Other creditors	6,228	7,293
Taxation and social security	1,728	1,434
Accrued expenses	44,372	45,975
Lease liability (note 12)	6,261	1,308
	99,530	**101,524**

Amounts owed to group undertakings are unsecured and have no fixed date of repayment and are interest free.

16. Creditors: amounts falling due after more than one year

	2022	2021
	£000	£000
Lease liability (note 12)	32,045	32,274
	32,045	**32,274**

17. Provisions for liabilities

	Legal Risk & Cargo Claims	Dilapidation Provision	Total
	£000	£000	£000
As 1 January 2022	653	3,912	4,565
Utilised in the year	(87)	(210)	(297)
Release of provision	(390)	(21)	(411)
Provided in the year	202	479	681
As 31 December 2022	**378**	**4,160**	**4,538**

Notes to the Financial Statements (continued)

17.Provisions for liabilities (continued)

Dilapidations Provision

This provision has been maintained to provide for dilapidations at 15 Schenker sites (2021 - 12 Schenker sites). The provision will be utilised over the next 10 years.

Legal Risk & Cargo Claims

This provision relates to amounts provided for cargo claims. These claims are expected to be settled in the near future.

18. Pension Assets/(Liabilities)

Defined Contribution Plan

The current pension provision is made under a money purchase arrangement insured with Scottish Widows Plc and AE Pension on a Personal Pension basis under which the only liability to the company is for the payment of contributions at a percentage of salary determined by the company. The pension charge for the money purchase scheme for the year was £1,041k (2021 - £748k) and the amount payable at the year end is £338k (2021 - £285k)

Defined Benefit Plan

The Company also operates two defined benefit schemes, the Schenker Retirement Benefits Pension Scheme and the Schenker Limited Pension Fund.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. Past service costs are recognised immediately in the income statement.

The disclosures below have been based on the 5 April 2019 actuarial valuation results updated to 31 December 2022 by Towers Watson Limited, acting as management's independent pension advisors.

Scheme assets at fair value

At 31st December 2022	Scheme	Fund	Total
	£000	£000	£000
Equities (with market price listing)	997	1,740	2,737
Bonds (with market price listing)	19,190	38,795	57,985
Cash	(1,269)	(3,138)	(4,407)
Fair values of scheme assets	18,918	37,397	56,315
Present value of scheme liabilities	(16,454)	(35,291)	(51,745)
Defined benefit pension plan Surplus	**2,464**	**2,106**	**4,570**

Notes to the Financial Statements (continued)
18. Pension Assets/Liabilities (continued)

At 31st December 2021	Scheme	Fund	Total
	£000	£000	£000
Equities	4,823	9,266	14,089
Bonds	26,664	51,821	78,485
Cash	(3,146)	(4,854)	(8,000)
Fair values of scheme assets	28,341	56,233	84,574
Present value of scheme liabilities	(27,676)	(58,499)	(86,175)
Defined benefit pension plan Surplus/(Deficit)	**665**	**(2,266)**	**(1,601)**

Year ended 31st December 2022	Scheme	Fund	Total
	£000	£000	£000
Recognised in Income Statement			
Administration cost	257	283	540
Total service recognised in operating profit	**257**	**283**	**540**
Net interest (income)/expense on defined benefit asset/(liability)	**(18)**	**17**	**(1)**
Taken to statement of comprehensive income			
Actuarial changes arising from demographic assumptions	(531)	(297)	(828)
Actuarial changes arising from changes in experience	(1,751)	1,218	(533)
Actuarial changes arising from changes in financial assumptions	(8,691)	(22,837)	(31,528)
Return on section assets	9,835	20,244	30,079
Recognised in Statement of Comprehensive Income	**(1,138)**	**(1,672)**	**(2,810)**

Notes to the Financial Statements (continued)

18. Pension Assets/Liabilities (continued)

Year ended 31st December 2021	Scheme	Fund	Total
	£000	£000	£000
Recognised in income statement			
Administration cost	265	359	624
Total service recognised in operating profit	**265**	**359**	**624**
Net interest on defined benefit liability	**(9)**	**83**	**74**
Taken to Statement of Comprehensive Income			
Actuarial changes arising from demographic assumptions	941	1,166	2,107
Actuarial changes arising from changes in financial assumptions	(1,683)	(4,549)	(6,232)
Return on section assets	1,036	494	1,530
Recognised in Statement of Comprehensive Income	**294**	**(2,889)**	**(2,595)**

Charges in present value of the defined benefit pension obligations are analysed as follows:

	Scheme	Fund	Total
	£000	£000	£000
As at 1 January 2021	**(29,097)**	**(62,447)**	**(91,544)**
Interest on benefit obligation	(371)	(803)	(1,174)
Actuarial gain	742	3,383	4,125
Benefit payments	1,050	1,368	2,418
Defined benefit obligation at 31 December 2021	**(27,676)**	**(58,499)**	**(86,175)**
Interest on benefit obligation	(519)	(1,089)	(1,608)
Actuarial gain	10,973	21,916	32,889
Benefit payments	768	2,381	3,149
Defined benefit obligation at 31 December 2022	**(16,454)**	**(35,291)**	**(51,745)**

Notes to the Financial Statements (continued)

18. Pension Assets/Liabilities (continued)

Changes in fair value of plan assets are analysed as follows:

	Scheme	Fund	Total
	£000	£000	£000
As at 1 January 2021	29,412	54,734	84,146
Interest on plan assets	380	720	1,100
Return on section assets greater than discount rate	(1,036)	(494)	(1,530)
Contributions by employer	900	3,000	3,900
Benefit payments	(1,050)	(1,368)	(2,418)
Administration costs	(265)	(359)	(624)
Fair value of plan assets at 31 December 2021	**28,341**	**56,233**	**84,574**
Interest on plan assets	537	1,072	1,609
Return on section assets greater than discount rate	(9,835)	(20,244)	(30,079)
Contributions by employer	900	3,000	3,900
Benefit payments	(768)	(2,381)	(3,149)
Administration costs	(257)	(283)	(540)
Fair value of plan assets at 31 December 2022	**18,918**	**37,397**	**56,315**

The disclosures below have been based on the 5 April 2019 actuarial valuation results updated to 31 December 2022 by Towers Watson Limited, acting as management's independent pension advisors. The major assumptions used by the actuary were:

	2022	**2021**
	%	%
Discount rate	4.75	1.9
Rate of increase in salaries	3.1	3.1
Inflation assumption (RPI)	3.3	3.5
Inflation assumption (CPI)	2.9	3.1

Pre and post retirement mortality rates are assumed to be in line with the "S3PA"series base tables including future improvements applicable for each member's year of birth and making allowance for CMI 2021 projections with a long term trend of 1.25% p.a.

Notes to the Financial Statements (continued)

18. Pension Assets/Liabilities (continued)

Scheme:		**2022**	**2021**
		Years	Years
Retiring at 31 December at age 65:	Male	20.5	21.1
	Female	22.9	23.1
Retiring at age 65 in 20 years time:	Male	21.8	22.4
	Female	24.4	24.6

Fund:		**2022**	**2021**
		Years	Years
Retiring at 31 December at age 65:	Male	20.9	21.1
	Female	23.3	23.1
Retiring at age 65 in 20 years time:	Male	22.2	22.4
	Female	24.7	24.6

Mobius Life Limited are appointed to manage approximately half of the assets of the Defined Benefit section of the Schenker Limited Pension Fund. The Mobius Life Platform invests the Fund's assets across various asset classes with various fund managers including BMO and BlackRock, whilst the remaining assets are invested with Aberdeen Standard (c.20%) and Partners Group (c.30%).

The sensitivities regarding the principal assumptions used to measure the pension liabilities are set out below:

- Discount rate increasing by 1%, = £44,165k
- Discount rate decreasing by 1% = £60,726k
- Pension increases increasing by 0.5% = £53,132k
- Increase in the expectation of life by 1 year = £53,112k

Weighted average of the DBO is approximately 15.02 years for the Scheme and 17.45 years for Fund.

Schenker Limited has entered into a funding recovery plan in respect of repairing the pension deficit which would see both the Scheme and Fund fully funded by December 2023 respectively.

Fund:
Contribution annually until January 2024 at £3,600k

Scheme:
Contribution annually until January 2024 at £800k

Notes to the Financial Statements (continued)

19. Called up share capital

	2022		2021	
Allotted, authorised, called up and fully paid	No	£000	No	£000
Ordinary shares £1 each	700,098	**700**	700,098	**700**

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking of Schenker Limited is Schenker AG. The ultimate parent undertaking and controlling party is Deutsche Bahn AG, a company incorporated in Germany. The results have been consolidated in the financial statements of this parent undertaking whose financial statements are available from their address at Potsdamer Platz 2, 10785 Berlin, Germany.

Deutsche Bahn AG is the largest and smallest group to consolidate the financial statements.

21. Post Balance Sheet Events

Redhead Holdings Limited and Redhead Freight Limited were liquidated on 29th March 2023. On 2nd May 2023, Schenker Limited purchased a warehouse in Manchester for £10m. Besides this, no significant events occurred after the balance sheet date.