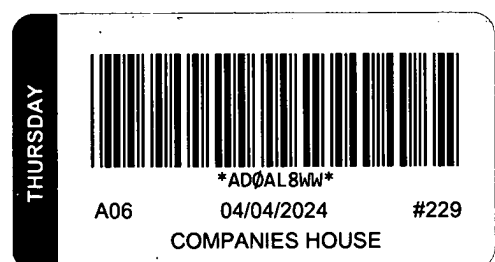


Registered number: 03155761

PALL-EX (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2023



PALL-EX (U.K.) LIMITED

COMPANY INFORMATION

Directors	Mr K Buchanan Mr D Dunhill Mr B T Byers Mr P Robins
Registered number	03155761
Registered office	Pall-Ex House Victoria Road Ellistown Leicestershire LE67 1FH
Independent auditor	Crowe U.K. LLP Black Country House Rounds Green Road Oldbury West Midlands B69 2DG

PALL-EX (U.K.) LIMITED

CONTENTS

	Page
Strategic report	3 - 6
Directors' report	1 - 2
Independent auditor's report	7 - 10
Statement of income and retained earnings	11
Statement of financial position	12
Notes to the financial statements	13 - 30

PALL-EX (U.K.) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2023

The Directors present their report and the financial statements for the year ended 31 July 2023.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

Results and dividends

The profit for the year, after taxation, amounted to £856,000 (2022 - £1,430,000).

No dividends were declared or paid in this year or the previous year.

Directors

The Directors who served during the year were:

Mr K Buchanan
Mr D Dunhill
Mr B T Byers
Mr P Robins

Qualifying third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

PALL-EX (U.K.) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2023**

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the exemption for reporting on Streamlined Carbon and Energy Reporting on the group on the basis that the information is contained within the parent company's financial statements.

Matters covered in the Strategic Report

The business review, principal risks and uncertainties and financial key performance indicators are not included in the Directors Report as they are included in the Strategic Report as required under S414c of the Companies Act.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Mr K Buchanan
Director

Date: 19/01/2024

PALL-EX (U.K.) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2023

The Directors present the strategic report for the year ended 31 July 2023;

Fair review of business and future developments, including KPIs

The accounts for Pall-Ex (U.K.) Limited covering the 12 months ended 31st July 2023 shows a 12% increase in EBITDA of £0.3m compared to the prior year due to significant growth in the Transport division, improved corporate margins and reduced caretaker costs coupled with 2 additional working days helping to offset the downward pressure from inflation and market alignment of wage increases. The Profit before Tax reduced in 2023 due to increased investment into our market leading software, Nexus.

Improvements continue to be made within the operation through efficiencies, making best use of the northern and southern hubs combined with the ongoing strengthening of the membership network helping to drive service performance. Health & Safety remain paramount in Pall-Ex and we continue to invest in IT, operational equipment and appointing industry leading experts in key functions such as compliance, network and sales.

The overall performance of the business continues show underlying improvements, however due to the economy and high levels of inflation, volumes reduced in the sector with Pall-Ex marginally outperforming the market. Despite this, turnover increased from £98.3m in 2022 to £100.3m in 2023 due to the two extra working days and improved corporate rates per pallet. Focus has been on improving margin quality, ensuring prices are competitive and product offering remains in pace with the market. These factors have remained pivotal in helping soften inflationary costs pressures arising from wages, utilities and fuel. Pall-Ex UK has strong growth plans and continues to invest in R&D and people to become an employer of choice ensuring future projections are underpinned. The current year investment has resulted in an increase in administrative expenses of £2.4m.

Pall-Ex continues to work with national charities and not-for-profits linked to the Armed Forces (such as combat stress) resulting in an employer recognition scheme gold award from the Ministry of Defence for our continued support of the armed forces community, supporting ex-military personnel, via training, careers and charity funding.

Fixed assets increased due to the continued development of the Nexus software (£0.7m) including the NexusGo and NexusScan (Hub) projects. During the year £0.8m intercompany loans owed by the Owned Operations were converted to Fixed Asset Investments as the recovery period for the debt has been estimated to be 4 to 5 years.

Cash at bank has increased by £1.1m to £1.2m in 2023 due improved underlying trade, strong EBITDA profits and an exceptional performance debt collection activities. Five-year forecasts show continued cash growth in 2024 going forwards along with further investment.

Management continues to concentrate on appointing quality members and have successfully increased the number of shareholder members, which underpins the strength of the network. Coverage costs continue to be tightly managed and due to the appointment of key members this has resulting in a significant reduction in coverage costs by way of working closely with our members, redefining post code areas and ensuring competitive inter member rates resulting in an improved service offering and national coverage.

During 2020/21, the Pall-Ex group of companies, headed by Pall-Ex Investments, which includes Pall-Ex UK Ltd, acquired from Geodis the assets and contracts of Fortec a second network by the name via For-Ex Distribution Network Ltd which warehouse and distribution services are operated from just outside the Watford gap area. This has yielded benefits from operational efficiencies, alleviated capacity constraints and strengthened the quality service model for Pall-Ex's members and customers as to avoid unnecessary stem mileage and thus reduce costs.

The strategic initiatives continue to focus on the heart of the business by way of strengthening and underpinning the member network, continuous review of Health & Safety policies and procedures, maximising efficiency, managing capacity and continued investment in our central IT platform. These initiatives, and investments, remain critical to the long-term success of the organisation and support the objective of being recognised as the first-choice quality provider within the pallet network sector.

PALL-EX (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2023

The Nexus IT platform continues to be developed which underpins both the Pall-Ex UK and Fortec networks as well as being the bedrock for many of our international partners. The Nexus system has been developed as a market leading, fully integrated, multi-language solution for all Pall-Ex partners across UK and Europe.

Principal risks and uncertainties

The Directors have assessed the main strategic risks facing the business as being its dependency on:

- The performance of the UK economy and managing capacity. This is be mitigated by the continuous development of our IT systems and maximising the effectiveness, and utilisation, of or regional hubs.
- The shortage of quality hauliers in certain geographical areas/possible loss of members. This is an ongoing risk and the network team continually look for potential new members. The member owned network model facilities a higher rate of retention and the ability to attract best in class hauliers.
- The availability and cost of drivers and a skilled workforce; this has been an industry-wide problem with Pall-Ex, and associated companies, with Pall-Ex investing into direct marketing, HR Initiatives, Job Levelling and front-line salaries to ensure the right skills are appointed and retained and thus mitigating the high risk of more expensive subcontractor and agency resource.
- The turnaround of subsidiaries in difficult to service areas whilst is an expensive solution it is often strategically better than risking the excess coverage costs; such solutions are continually under review and plans organically developed to ensure diversification of profit-making initiatives.
- A softening in the B2C market, due to seasonal patterns returning to normal, as employees return to their standard working patterns. To mitigate this the business continues to build relationships with our major corporate customers and has invested into a skilled sales work force, focused on quality and service, through a wide range of product offerings to increase market share and increase volume.

Operational risks being dependent upon:

- Any failures of operational compliance – reinforcing operational procedures and adopting ISO methodologies help to contain these risks. Pall-Ex is the first pallet network to be awarded the ISO 45001:2015 designation.
- Credit risk; continuous monitoring of the credit risk via credit referencing software; cash in advance is required in extremes; risks when ratings change quickly. Further mitigation via lien on goods. Credit terms are set for new customers and regularly reviewed for existing customers.

Staff are at the heart of what we do and to ensure the safety of our employees we have continued to invest in ergonomics of both the operation and back office. Health and Safety features at the core of the business to ensure the wellbeing of our employees, stakeholders and customers. Awarded the ROSPA Gold Standard September 2023. Furthermore, the investment into HR resources has enabled the business to focus on being an employer of choice with investments in employee welfare, mental health and increasing employee engagement and recognition schemes. The business continues to support working from home and has implemented robust policies & procedures to the benefit employee wellbeing. The Board will continue to support best practice, and react positively to ensure a safe environment and manage the business efficiently, sustainably, and profitably.

PALL-EX (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2023

Engagement with employees

During the year Pall-Ex UK has continued to promote and have implemented further benefits to the development of employees:

- A leadership charter covering aspirations, leadership behaviours and work ethics
- Annual employment engagement survey with robust action plans to address identified issues
- Cascading the company plan with our vision, mission, rewards schemes and core values
- Job Levelling and benchmarking, pay increases across core operational staff and the driver workforce
- Implementing employee champions across all functions to ensure clear lines of open dialogue are in place for employees and management
- Continuously reviewing benefits to ensure these are in line with the market to ensure we attract the best talent
- Implementing initiatives to retain staff such as rewards schemes and voluntary benefits
- Length of Service award scheme
- The Values Recognition Scheme
- Introduced the Logistics Excellence Achievement Programme (LEAP) for leadership, customer service and induction, which is ILM accredited
- In-house recruitment function to attract the top employees whilst reducing agency fees.

The Company undertakes regular briefing sessions, with its employees, on the Company's results, trends and external factors

Pall-Ex remains to be an inclusive, multi diverse, and multi-cultural organisation. All applications for employment are fully considered based on the abilities and competences of the applicant, irrespective of race, ethnicity or gender. In the unfortunate event of staff requiring additional support within the workplace, or encountering personal difficulties, every effort is made to accommodate their continued employment with the Company and that any appropriate new training and changes to their working practices is arranged where reasonably practical. It is policy of the Company that as far as is possible the training, career development and promotion of all employees is based on a consistent and fair basis.

Engagement with suppliers, customers and others

Customers

A principal objective of Pall-Ex is to achieve excellence across every area of the business and we define excellence by using our 6 strategic ambitions in our Company Plan. We work with our entire Network to ensure a high level of service is delivered to our customers at all times aiming for a swift and timely resolution to any queries. Our network team recruits, develops, trains and supports partners to ensure success for all involved.

Suppliers

Pall-Ex works closely with suppliers of all sizes ensuring good governance, procedures and practices are followed to always maintain high levels of service. We work in partnership with our suppliers to ensure our values and principals are upheld.

PALL-EX (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2023

Directors' statement of compliance with duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, clients, joint arrangement partners and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the people who work for us, our members and customers and those in the supply chain with whom we engage, our owners, regulatory bodies and those that live in the societies within which we operate. The Directors recognise that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way. We are committed to doing business responsibly and thinking for the long term.

The Directors regularly receive reports from management on issues concerning customers, the environment, members, suppliers, employees and other stakeholders which it takes into account in its discussions and in its decision making process under section 172.

This report was approved by the board and signed on its behalf.



Mr K Buchanan
Director

Date: 19/01/2024

PALL-EX (U.K.) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALL-EX (U.K.) LIMITED

Opinion

We have audited the financial statements of Pall-Ex (U.K.) Limited (the 'Company') for the year ended 31 July 2023, which comprise the Statement of income and retained earnings, the Statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

PALL-EX (U.K.) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALL-EX (U.K.) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 1, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PALL-EX (U.K.) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALL-EX (U.K.) LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Company for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation, environmental protection legislation, Health and safety legislation, Taxation legislation and Employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be in the following areas: timing of recognition of income; the override of controls by management, including posting of unusual journals; inappropriate treatment of non-routine transactions and areas of estimation uncertainty; and manipulating the Company's key performance indicators to meet management targets.

Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, review and discussion of non-routine transactions, sample testing on the posting of journals and income transactions and review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

PALL-EX (U.K.) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALL-EX (U.K.) LIMITED (CONTINUED)

Use of our report

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

Crowe UK LLP

Mark Evans (Senior statutory auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

West Midlands

B69 2DG

Date: 25 January 2024

PALL-EX (U.K.) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 JULY 2023

	Note	2023 £000	2022 £000
Turnover	4	100,276	98,273
Cost of sales		(87,451)	(87,390)
Gross profit		12,825	10,883
Administrative expenses		(11,530)	(9,081)
Other operating income		-	13
Operating profit	5	1,295	1,815
Interest payable and similar expenses	9	(344)	(113)
Profit before tax		951	1,702
Tax on profit	10	(95)	(272)
Profit after tax		856	1,430
Retained earnings at the beginning of the year		11,698	10,268
Profit for the year		856	1,430
Retained earnings at the end of the year		12,554	11,698

The notes on pages 13 to 30 form part of these financial statements.

PALL-EX (U.K.) LIMITED
REGISTERED NUMBER: 03155761

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	11	2,014	1,853
Tangible assets	12	3,070	3,795
Investments	13	10,193	9,423
		<u>15,277</u>	<u>15,071</u>
Current assets			
Stocks		65	94
Debtors: amounts falling due within one year	14	32,207	26,361
Cash at bank and in hand		1,202	133
		<u>33,474</u>	<u>26,588</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(33,723)	(26,282)
Net current (liabilities)/assets		<u>(249)</u>	<u>306</u>
Total assets less current liabilities		<u>15,028</u>	<u>15,377</u>
Creditors: amounts falling due after more than one year	16	(1,871)	(3,133)
Provisions for liabilities			
Deferred tax	19	(508)	(413)
Other provisions	20	(94)	(132)
		<u>(602)</u>	<u>(545)</u>
Net assets		<u><u>12,555</u></u>	<u><u>11,699</u></u>
Capital and reserves			
Called up share capital	21	1	1
Profit and loss account		12,554	11,698
		<u><u>12,555</u></u>	<u><u>11,699</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr K Buchanan
 Director
 Date:

19/01/2024

The notes on pages 13 to 30 form part of these financial statements.

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

1. General information

The Company is a private company limited by shares (registered number 03155761), which is incorporated and registered in England and Wales.

The registered office is Pall-Ex House, Victoria Road, Ellistown, Leicestershire, LE67 1FH.

The principal activity of the Company is that of the operation of a pallet network in the UK and the provision of distribution and logistics services.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000, except where otherwise indicated.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Pall-Ex Investments Limited as at 31 July 2023 and these financial statements may be obtained from Companies House.

PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

2. Accounting policies (continued)

2.3 Going concern

The Directors have assessed the Company's ability to continue as a going concern and have not identified any material uncertainties that cast any doubt over the ability of the Company to continue as a going concern. The Company meets its day to day working capital requirements through trading cashflow.

Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing these financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue earned for freight moved is recognised based on despatch date.

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and Interest elements. The interest is charged to profit or loss to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	3 - 6 years
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PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- over the lease term
Plant and machinery	- 2 - 5 years
Motor vehicles	- 2 - 5 years
Fixtures and fittings	- 3 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock 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.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

2. Accounting policies (continued)

Debtors

Short-term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Creditors

Short-term creditors are measured at the transaction price.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Critical Judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Leasing

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, whether the Company is a lessor.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment of Investments

Determining whether investments are impaired requires an estimation of their value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investment and a suitable discount rate to calculate present value. The carrying amount of investments at the balance sheet date was £10,193,000, and no impairment loss has been recognised.

Depreciation and amortisation

The assessment of the useful economic lives and the method of depreciating tangible fixed assets and amortising intangible fixed assets requires judgement. Depreciation and amortisation is charged to the income statement based on the useful economic life selected, which requires an estimation of the period and profile over which the Company expects to consume the future economic benefits embodied in the assets. The carrying amount of tangible fixed assets at the balance sheet date was £3,070,000, and depreciation of £718,000 has been charged in the year. The carrying amount of intangible assets at the balance sheet date was £2,014,000 and amortisation of £562,000 has been charged in the year.

Recoverability of debtors

Trade debtors are stated at recoverable amounts, after appropriate provision for bad and doubtful debts. Calculation of the bad debt provision requires estimation from the management team. The recoverable amount of trade debtors at the balance sheet date was £17,908,000.

Dilapidations provision

Provisions for dilapidations costs represent an estimate of potential costs which may arise at the end of property lease agreements should such leases not be renewed.

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Freight movement	99,509	97,457
Membership fees	767	816
	<u>100,276</u>	<u>98,273</u>

Analysis of turnover by country of destination:

	2023 £000	2022 £000
United Kingdom	99,760	97,740
Rest of Europe	516	533
	<u>100,276</u>	<u>98,273</u>

5. Operating profit

The operating profit is stated after charging:

	2023 £000	2022 £000
Depreciation of tangible fixed assets	718	186
Amortisation - intangible fixed assets	562	292
Exchange differences	-	12
Defined contribution pension cost	184	180
Operating lease charges	1,825	897
	<u>1,825</u>	<u>897</u>

PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

6. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor and its associates:

	2023	2022
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	41	37

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the Ultimate Parent Company.

7. Employees

Staff costs were as follows:

	2023	2022
	£000	£000
Wages and salaries	6,652	6,090
Social security costs	646	618
Cost of defined contribution scheme	184	180
	7,482	6,888

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

	2023	2022
	No.	No.
Warehouse	142	140
Administration	28	25
Management	11	25
	181	190

8. Directors' remuneration

The Directors of the Company were employed by another Company within the Group. Details of Directors' remuneration can be found within consolidated accounts of the Ultimate Parent Company.

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

9. Interest payable and similar expenses

	2023 £000	2022 £000
Bank interest payable	162	86
Other loan interest payable	-	1
Finance leases and hire purchase contracts	182	26
	<u>344</u>	<u>113</u>

10. Taxation

	2023 £000	2022 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	85	169
Adjustments in respect of prior periods	10	103
Total deferred tax	<u>95</u>	<u>272</u>
Taxation on profit on ordinary activities	<u>95</u>	<u>272</u>

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - *lower than*) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £000	2022 £000
Profit on ordinary activities before tax	949	1,703
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	201	324
Effects of:		
Expenses not deductible for tax purposes	25	1
Capital allowances for year in excess of depreciation	-	(197)
Deduction for R&D expenditure	(155)	-
Adjustments to tax charge in respect of prior periods - deferred tax	10	103
Remeasurement of deferred tax for changes in tax rates	14	41
Total tax charge for the year	95	272

Factors that may affect future tax charges

The Company has a deferred tax liability comprised of accelerated capital allowances and short term timing differences which will affect future tax payments.

Deferred tax has been calculated at 25% this year in line with future rates enacted at the year end date. The Government announced an increase in Corporate tax rates to 25% from 1 April 2023 which will increase corporate and deferred taxes in future years.

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

11. Intangible assets

	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 August 2022	328	2,111	2,439
Additions	723	-	723
Transfer assets in use	(988)	988	-
At 31 July 2023	63	3,099	3,162
Amortisation			
At 1 August 2022	-	586	586
Charge for the year	-	562	562
At 31 July 2023	-	1,148	1,148
Net book value			
At 31 July 2023	63	1,951	2,014
At 31 July 2022	328	1,525	1,853

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

12. Tangible fixed assets

	Assets under construction £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Leasehold property £000	Total £000
Cost or valuation						
At 1 August 2022	198	816	772	3,765	12	5,563
Disposals	-	-	-	(8)	-	(8)
Transfers between classes	(197)	197	-	-	-	-
At 31 July 2023	1	1,013	772	3,757	12	5,555
Depreciation						
At 1 August 2022	-	805	720	242	1	1,768
Charge for the year	-	49	41	626	2	718
Disposals	-	-	-	(1)	-	(1)
At 31 July 2023	-	854	761	867	3	2,485
Net book value						
At 31 July 2023	1	159	11	2,890	9	3,070
At 31 July 2022	198	11	52	3,523	11	3,795

Included within the net book value of £3,070,000 is £2,890,000 (2022 - £3,522,000) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £626,000 (2022 - £102,000).

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

13. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 August 2022	9,423
Additions	770
At 31 July 2023	<u>10,193</u>

During the year, the Directors took the decision to capitalise inter-company loans to the value of £770,000 (2022 - £1,100,000).

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Holding
Intercounty Distribution Limited	Logistics and distribution	100%
Pall-Ex London Limited	Logistics and distribution	100%
Shears Brothers Transport Limited	Logistics and distribution	100%
Pall-Ex Property Limited	Dormant	100%
Pall-Extra Limited	Dormant	100%
Cranleigh Distribution Services Limited	Logistics and distribution	100%

Pall-Extra Limited is a company limited by guarantee of which Pall-Ex (U.K.) Limited is the only member.

The registered office of all subsidiary undertakings is Pall-Ex House, Victoria Road, Ellistown, Leicestershire, LE67 1FH.

The Company also owns a 20% holding in Pall-Ex South West Limited, the registered office is Unit 8 Willand Industrial Estate South View Estate, Willand, Cullompton, Devon, EX15 2QW.

PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

14. Debtors

	2023	2022
	£000	£000
Trade debtors	17,908	16,128
Amounts owed by group undertakings	12,865	8,336
Amounts owed by joint ventures and associated undertakings	471	337
Other debtors	234	151
Prepayments and accrued income	729	939
Tax recoverable	-	470
	<u>32,207</u>	<u>26,361</u>

15. Creditors: Amounts falling due within one year

	2023	2022
	£000	£000
Bank loans	465	668
Trade creditors	16,283	13,700
Amounts owed to group undertakings	10,805	6,460
Amounts owed to associates	579	419
Other taxation and social security	2,172	151
Obligations under finance lease and hire purchase contracts	806	1,480
Other creditors	1,096	1,410
Accruals and deferred income	1,517	1,994
	<u>33,723</u>	<u>26,282</u>

The Company has a £2,500,000 Confidential Invoice Discounting arrangement with Metro Bank at Base Rate + 2%, which is secured against the book debts of the Company. A cross company guarantee has been issued in respect of this facility across all assets of the group. The balance included within other creditors in respect of this arrangement is £844,000 (2022 - £1,141,000).

Included in creditors is £2,677,000 (2022 - £4,150,000) in respect of assets held under hire purchase contracts which are secured against the assets to which they relate.

PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

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

	2023 £000	2022 £000
Bank loans	-	463
Net obligations under finance leases and hire purchase contracts	1,871	2,670
	1,871	3,133

17. Loans

Analysis of the maturity of loans is given below:

	2023 £000	2022 £000
Amounts falling due within one year		
Bank loans	465	668
Amounts falling due 2-5 years		
Bank loans	-	463
	465	1,131

Included within bank loans is a Coronavirus Business Interruption Loan of £465,000. Under the terms of the loan the first 12 months of interest payments were covered by a Business Interruption Payment. This 12 month period has now lapsed and regular monthly repayments have commenced. Interest is charged at 2.75% over the Bank of England Base Rate.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 £000	2022 £000
Within one year	806	2,700
Between 1-5 years	1,871	1,450
	2,677	4,150

PALL-EX (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

19. Deferred taxation

	2023 £000
At beginning of year	(413)
Charged to the profit or loss	(95)
At end of year	(508)

The provision for deferred taxation is made up as follows:

	2023 £000	2022 £000
Origination and reversal of timing differences	(729)	(141)
Losses and other deductions	221	(272)
	(508)	(413)

20. Provisions

	Dilapidation provision £000
At 1 August 2022	132
Movement during the year	(38)
At 31 July 2023	94

Provisions for dilapidations costs represent an estimate of potential costs which may arise at the end of property lease agreements should such leases not be renewed.

21. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
1,000 (2022 - 1,000) Ordinary shares of £1.00 each	1	1

PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £10,000 (2022 - £19,000) were payable to the fund at the balance sheet date.

23. Commitments under operating leases

At 31 July 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £000	2022 £000
Not later than 1 year	1,167	994
Later than 1 year and not later than 5 years	2,481	517
	<u>3,648</u>	<u>1,511</u>

24. Financial commitments, guarantees and contingent liabilities

The Company is party to a VAT group registration. The Company remains jointly and severally liable for any VAT liability arising under the group registration. As at 31 July 2023, the contingent liability was £1,996,000 (2022 - £251,000).

The Company is a guarantor in relation to a lease agreement that a subsidiary, Shears Brothers Transport Limited, has entered into. The lease agreement, which relates to a property, expires on 1 December 2025. The total guaranteed rental commitment as at 31 July 2023 is £724,000 (2022 - £789,000).

The companies Pall-Ex (U.K.) Limited, Pall-Ex Logistics (Basildon) Limited, Shears Brothers (Transport) Limited, Intercounty Distribution Limited, Cranleigh Distribution Services Limited and For-Ex Distribution Network Limited, fellow members of Pall-Ex Investments Limited Group, have previously entered into a Confidential Invoice Discounting arrangement with Metro Bank. The Company is part of a cross-company guarantee that has been issued in respect of this facility across all assets of the group. As at 31 July 2023 the liability in this respect was £3,425,000 (2022 - £2,909,000).

PALL-EX (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

25. Related party transactions

The Company has taken advantage of the exemption contained within section 33.1A of FRS 102 not to disclose transactions with wholly owned members of the same group.

The Company is related to Pall-Ex South-West Limited by virtue of its 20% interest in the shares of Pall-Ex South-West Limited. During the period, the Company sold services amounting to £2,190,000 (2022: £1,749,000) to, and purchased services amounting to £3,116,000 (2022 - £2,199,000) from, Pall-Ex South-West Limited. At 31 July 2023 an amount £471,000 (2022 - £337,000) was owed by and an amount of £579,000 (2022 - £419,000) was owed to Pall-Ex South-West Limited.

Key management personnel

The Directors are the only individuals who have authority and responsibility for planning, directing and controlling the activities of the Company and therefore are the only individuals considered to be key management personnel. Details of Directors' remuneration for these individuals is disclosed within note 8.

26. Controlling party

Pall-Ex Group Limited, a company incorporated in England and Wales, is the immediate parent company.

The ultimate parent company is Pall-Ex Investments Limited, a company incorporated in England and Wales. The registered office Pall-Ex House, Victoria Road, Ellistown, Leicestershire, LE67 1FH.

Pall-Ex Investments Limited is the smallest and largest group in which the results are consolidated. The consolidated accounts of Pall-Ex Investments Limited are available from Companies House.

There is no single controlling party of Pall-Ex Investments Limited.