

Company Registration No. 04570275 (England and Wales)

PALLET - TRACK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023

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PALLET - TRACK LIMITED

COMPANY INFORMATION

Directors	M T Waite G Allen D T Olsson T W Feeney T Rieger S Godman J Wright
Company number	04570275
Registered office	Titan Distribution Centre Millfields Road Wolverhampton West Midlands WV4 6JH
Auditor	RSM UK Audit LLP Chartered Accountants 103 Colmore Row Birmingham B3 3AG

PALLET - TRACK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the Strategic Report for the year ended 31 December 2023.

Fair review of the business

The company continues to enhance and develop its core values. These are to provide a highly efficient logistics service to its members, and their customers, through the effective use of technology and materials handling. The company continues to invest in its Quality, Safety, Health, and the Environment approach with ESG, Technology and colleague welfare as a priority. These values enable the business to be recognised as one of the leading players in its field.

The company operates a centrally billed system for network delivery revenue and network delivery costs. Network delivery revenues and costs, created by member shareholder activity, are processed, and administered directly by the company. The central billing system increases the company turnover and costs by equal amounts and therefore has no impact on gross profit, which relates entirely to Hub and Transport activities.

	December 2023 (12 months) £	December 2022 (11 months) £	2023:2022
Hub and Transport Revenue	25,480,409	22,161,767	15.00%
Network Delivery Revenue	112,835,621	109,381,462	3.20%
Total Turnover	138,316,030	131,543,229	5.10%

Hub revenue grew 15.0% in the year primarily due to an increase in Hub fees. Network delivery revenue in the year grew by 3.2%. Gross profit margin, relating to hub activities decreased, from 61.2% in 2022 to 58.4% in 2023, because of increasing costs of operation.

As part of its drive to improve performance, the Board initiated a number of cost-down initiatives during Q4 2023; at the same time the Board agreed to a multi-million-pound investment in its IT and operational Infrastructure, which will be rolled out in 2024.

Principal risks and uncertainties

Member Solvency:

Member financial stability remains a key risk to the business. During 2023, 463 hauliers entered insolvency in the UK, an increase of 28% from that of December 2022 and an increase of 205% from January 2022. The Pallet-Track board places strong consideration on any decisions it makes on the members, and as such has not seen any of its members entering liquidation during the year. The situation is monitored closely by the Board who ensure contingency arrangements are in place to minimise any potential impact on the network.

Economic risk:

The business is primarily influenced by the state of the UK economy. Post COVID recovery in 2021/2022, the business has seen volumes return to more normalized levels. Continued economic uncertainty, alongside increasing pressure on costs, continues to impact the business and its members.

These factors remain the primary elements introducing material uncertainty into the economy. There is a risk that both existing customers and potential new customers may reduce their levels of activity going forward, however early 2024 shows positive signs of improvement.

The directors continually monitor results and review contingency plans to mitigate any reduction of activity and are confident that sales levels and cash levels will remain strong.

PALLET - TRACK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Financial risk management objectives and policies

The company is potentially exposed to cash flow, credit, and liquidity risk.

Cash flow risk:

The company manages these risks by financing its operations through retained profits.

Credit risk:

The company's principal financial assets are bank balances and trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The company's credit risk is primarily attributable to its trade receivables, although this is spread among a substantial number of counterparties with high credit ratings.

Liquidity risk

The company's objectives are to retain sufficient liquid funds to enable it to meet its day to day requirements.

On behalf of the board

Stuart Goodman

S Godman

Director

Date: 02/08/24.....

PALLET - TRACK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and financial statements for the year ended 31 December 2023.

Principal activities

The principal activity of the company during the year was that of a logistical hub for pallet and freight logistics. Businesses that are members of the distribution network own shares in Pallet - Track Limited. As businesses enter and leave the network, shares are issued and repurchased.

Issue of shares

250 Ordinary C Shares of £1 each were issued for cash at a premium of £39 per share on 8 February 2023.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £4,038,341 (31 December 2022 - £3,344,069). The directors do not recommend payment of a further dividend.

Directors

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

C Jones	(Resigned 31 March 2023)
G S Maltby	(Resigned 31 July 2023)
M T Waite	
M G Bailey	(Resigned 25 March 2024)
M Pulford	(Resigned 30 January 2024)
R Aujla	(Resigned 30 January 2024)
G Allen	
A Spencer	(Resigned 8 December 2023)
C I Green	(Resigned 29 August 2023)
D T Olsson	
T W Feeney	
T Rieger	
L Chambers	(Appointed 9 January 2023 and resigned 30 January 2024)
S Godman	(Appointed 4 September 2023)
J Williams	(Appointed 30 January 2024 and resigned 27 June 2024)
J Wright	(Appointed 27 June 2024)

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.

Future developments

The board will continue to implement its strategy in 2024. Significant investment will be made in its IT systems and operational infrastructure, to ensure it maintains the highest level of service for its members.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

PALLET - TRACK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

Information on financial risk management objectives and policies as required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 including principal risks and uncertainties has been included in the Strategic Report.

On behalf of the board

Stuart Godman

S Godman

Director

Date: 02/08/24.....

PALLET - TRACK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLET - TRACK LIMITED

Opinion

We have audited the financial statements of Pallet - Track Limited (the 'company') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 UK, including the FRC'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.

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.

Opinions 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLET - TRACK LIMITED (CONTINUED)

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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLET - TRACK LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Health and Safety at Work Act 1974. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and reviewed Board of Directors minutes.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, obtaining revenue documentation and confirming the revenue has been correctly recognised in line with FRS102.

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

Use of our report

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

Benjamin Lawrance

Benjamin Lawrance (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
B3 3AG
05/08/24.....

PALLET - TRACK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023 £	Period ended 31 December 2022 £
	Notes		
Turnover	3	138,316,030	131,543,229
Cost of sales		(123,427,908)	(117,984,335)
Gross profit		14,888,122	13,558,894
Administrative expenses		(11,647,772)	(9,089,430)
Other operating income		19,129	16,902
Adjusted EBITDA		4,942,011	5,230,170
Depreciation		(648,081)	(556,812)
Dilapidations		(197,388)	(142,439)
Loss on sale of fixed assets		(384)	(44,553)
Exceptional cost	6	(836,679)	-
Operating profit	6	3,259,479	4,486,366
Income from shares in group undertakings	7	200,000	250,000
Other interest receivable and similar income	7	23,734	12,591
Interest payable and similar expenses	8	(31,029)	(18,998)
Profit before taxation		3,452,184	4,729,959
Tax on profit	9	(367,692)	(611,443)
Profit for the financial year		3,084,492	4,118,516

PALLET - TRACK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2023**

	Notes	31 December 2023		31 December 2022	
		£	£	£	£
Fixed assets					
Tangible assets	11	1,762,002		2,256,306	
Investments	12		2		2
			<u>1,762,004</u>		<u>2,256,308</u>
Current assets					
Debtors	14	14,209,436		13,688,989	
Cash at bank and in hand		1,684,650		1,878,207	
			<u>15,894,086</u>		<u>15,567,196</u>
Creditors: amounts falling due within one year	15	(13,517,200)		(12,486,636)	
Net current assets			<u>2,376,886</u>		<u>3,080,560</u>
Total assets less current liabilities			<u>4,138,890</u>		<u>5,336,868</u>
Creditors: amounts falling due after more than one year	16		(517,891)		(890,280)
Provisions for liabilities	18		(1,458,123)		(1,319,613)
Net assets			<u><u>2,162,876</u></u>		<u><u>3,126,975</u></u>
Capital and reserves					
Called up share capital	21		97,500		98,000
Share premium account	22		731,500		721,750
Capital redemption reserve	22		351,500		351,000
Profit and loss reserves	22		982,376		1,956,225
Total equity			<u><u>2,162,876</u></u>		<u><u>3,126,975</u></u>

The financial statements were approved by the board of directors and authorised for issue on 02/08/24..... and are signed on its behalf by:

Stuart Godman
.....

S Godman
Director

PALLET - TRACK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 February 2022		97,250	682,750	350,750	1,191,778	2,322,528
Period ended 31 December 2022:						
Profit and total comprehensive income for the period		-	-	-	4,118,516	4,118,516
Issue of share capital	21	1,000	39,000	-	-	40,000
Dividends	10	-	-	-	(3,344,069)	(3,344,069)
Redemption of shares	21	-	-	250	(10,000)	(9,750)
Reduction of shares	21	(250)	-	-	-	(250)
Balance at 31 December 2022		98,000	721,750	351,000	1,956,225	3,126,975
Year ended 31 December 2023:						
Profit and total comprehensive income for the year		-	-	-	3,084,492	3,084,492
Issue of share capital	21	250	9,750	-	-	10,000
Dividends	10	-	-	-	(4,038,341)	(4,038,341)
Redemption of shares	21	-	-	500	(20,000)	(19,500)
Reduction of shares	21	(750)	-	-	-	(750)
Balance at 31 December 2023		97,500	731,500	351,500	982,376	2,162,876

PALLET - TRACK LIMITED

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

1 Accounting policies

Company information

Pallet - Track Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Titan Distribution Centre, Millfields Road, Wolverhampton, West Midlands, WV4 6JH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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 £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosure

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Havana Topco Limited. These consolidated financial statements are available from its registered office, Titan Distribution Centre, Millfields Road, Wolverhampton, West Midlands, WV4 6JH.

The company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Management has stress tested their forecasts and the company has sufficient cash levels to meet its liabilities for at least the next 12 months thus supporting the assertion to prepare the accounts on a going concern basis.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Reporting period

The company changed its reporting date in the prior period from 31 January to 31 December to align with its other group companies. Consequently, the prior period financial statements covered the 11 month period ending 31 December 2022 as compared to the current period which covers the 12 month period ending 31 December 2023. The comparative amounts presented in the financial statements, including related notes, are therefore not entirely comparable.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from logistical services is recognised when hub and delivery services have been performed, the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs to be incurred in respect of the transaction can be measured reliably.

Central billing

The company operates a centrally billed system for network delivery revenue and network delivery costs. Where network delivery revenues and costs were previously invoiced between member shareholders, the current system allows these to be processed and administered directly by the company. The billing system increases the company turnover and costs by equal amounts.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Short leasehold land and buildings	over the unexpired period of the lease
Plant and machinery	20% reducing balance basis and 25% straight line basis
Fixtures, fittings & equipment	15% reducing balance basis and 33% straight line basis
Motor vehicles	25% reducing balance basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade debtors, central billing debtors, other debtors, amounts owed by group undertakings, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade creditors, central billing creditors and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the period. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments.

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 so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying 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 considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2 Judgements and key sources of estimation uncertainty (Continued)

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.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The carrying amount of tangible assets as at 31 December 2023 was £1,762,002 (31 December 2022: £2,256,306).

Provisions for dilapidations

The company has made an estimate of the costs of returning the rented properties to their original condition as required under the terms of the lease. The provisions balance as at 31 December 2023 was £1,092,241 (31 December 2022: £894,853).

3 Turnover and other revenue

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Turnover analysed by class of business		
Turnover	25,480,409	22,161,767
Central billing	112,835,621	109,381,462
	<u>138,316,030</u>	<u>131,543,229</u>
	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Other revenue		
Interest income	23,734	12,591
Dividends received	200,000	250,000
Management income	14,954	11,000
Sundry income	4,535	5,902
	<u></u>	<u></u>
	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Turnover analysed by geographical market		
United Kingdom	<u>138,316,030</u>	<u>131,543,229</u>

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	Year ended 31 December 2023 Number	Period ended 31 December 2022 Number
Staff and works employees	167	174
Management	11	12
Total	178	186

Their aggregate remuneration comprised:

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Wages and salaries	7,140,006	5,790,703
Social security costs	777,944	677,601
Pension costs	222,835	170,406
	8,140,785	6,638,710

5 Directors' remuneration

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Remuneration for qualifying services	1,389,029	942,949
Company pension contributions to defined contribution schemes	107,800	75,908
	1,496,829	1,018,857

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 9 (31 December 2022 - 9).

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Remuneration for qualifying services	245,647	192,205
Company pension contributions to defined contribution schemes	15,302	16,523

6 Operating profit

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	17,200	15,850
Depreciation of owned tangible fixed assets	288,618	313,333
Depreciation of tangible fixed assets held under finance leases	359,463	243,479
Loss on disposal of tangible fixed assets	384	44,553
Operating lease charges	2,700,516	2,018,887

Exceptional costs recognised in the year include directors' compensation for loss of office and other one off costs including dirty fuel costs and property lease renewal costs.

7 Interest receivable and similar income

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Interest income		
Other interest income	23,734	12,591
Income from fixed asset investments		
Income from shares in group undertakings	200,000	250,000
Total income	223,734	262,591

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

8 Interest payable and similar expenses

	Year ended 31 December 2023	Period ended 31 December 2022
	£	£
Interest on finance leases and hire purchase contracts	27,904	16,203
Other interest	3,125	2,795
	<u>31,029</u>	<u>18,998</u>

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

9 Taxation

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Current tax		
UK corporation tax on profits for the current period	514,833	567,187
Adjustments in respect of prior periods	(88,263)	(64,430)
Total current tax	426,570	502,757
Deferred tax		
Origination and reversal of timing differences	(105,193)	108,686
Adjustment in respect of prior periods	46,315	-
Total deferred tax	(58,878)	108,686
Total tax charge	367,692	611,443

The total tax charge for the period included in the Statement of Comprehensive Income can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Profit before taxation	3,452,184	4,729,959
Expected tax charge based on the standard rate of corporation tax in the UK of 23.52% (31 December 2022: 19.00%)	811,972	898,692
Tax effect of expenses that are not deductible in determining taxable profit	(13,884)	59,761
Adjustments in respect of prior years	(88,263)	(64,430)
Group relief	(356,323)	(260,175)
Deferred tax adjustments in respect of prior years	46,315	-
Group income	(47,041)	(47,500)
Remeasurement of deferred tax for changes in tax rates	(6,225)	26,084
Fixed asset differences	21,141	14,081
Other differences	-	(15,070)
Taxation charge for the year	367,692	611,443

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at 31 December 2023.

For accounting periods that straddle 1 April 2023, company profits/losses arising in an accounting period are apportioned between financial years in which the accounting period falls.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

10 Dividends

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Final paid	4,038,341	3,344,069

11 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2023	880,798	3,126,596	648,236	66,540	4,722,170
Additions	28,717	-	125,444	-	154,161
Disposals	-	(2,130)	-	-	(2,130)
At 31 December 2023	909,515	3,124,466	773,680	66,540	4,874,201
Depreciation and impairment					
At 1 January 2023	721,455	1,274,347	412,560	57,502	2,465,864
Depreciation charged in the year	86,166	447,917	111,739	2,259	648,081
Eliminated in respect of disposals	-	(1,746)	-	-	(1,746)
At 31 December 2023	807,621	1,720,518	524,299	59,761	3,112,199
Carrying amount					
At 31 December 2023	101,894	1,403,948	249,381	6,779	1,762,002
At 31 December 2022	159,343	1,852,249	235,676	9,038	2,256,306

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	31 December 2023 £	31 December 2022 £
Plant and machinery	1,050,217	1,409,679

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

12 Fixed asset investments

	Notes	31 December 2023 £	31 December 2022 £
Investments in subsidiaries	13	2	2

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2023 & 31 December 2023	2
Carrying amount	
At 31 December 2023	2
At 31 December 2022	2

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2023 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Pallet-Track Sussex Limited (formerly known as Pallet-Track Logistics Limited)	1	Pallet and Freight Logistics	Ordinary	100.00
Pallet-Track Services Limited	1	Freight Transport by road	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

1 Titan Distribution Centre, Millfields Road, Wolverhampton, West Midlands, WV4 6JH

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

14 Debtors

	31 December 2023	31 December 2022
	£	£
Amounts falling due within one year:		
Trade debtors	2,115,483	1,983,782
Central billing debtors	8,628,774	9,119,201
Corporation tax recoverable	411,673	155,891
Amounts owed by group undertakings	575,148	479,790
Other debtors	43,172	55,510
Prepayments and accrued income	2,388,792	1,812,392
	<u>14,163,042</u>	<u>13,606,566</u>
	31 December 2023	31 December 2022
	£	£
Amounts falling due after more than one year:		
Other debtors	46,394	82,423
	<u>46,394</u>	<u>82,423</u>
Total debtors	<u>14,209,436</u>	<u>13,688,989</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of payment and are repayable on demand.

15 Creditors: amounts falling due within one year

		31 December 2023	31 December 2022
	Notes	£	£
Obligations under finance leases	17	372,388	372,388
Trade creditors		2,201,635	1,732,426
Central billing creditors		8,439,785	9,078,051
Taxation and social security		426,935	434,003
Other creditors		46,765	25,548
Accruals and deferred income		2,029,692	844,220
		<u>13,517,200</u>	<u>12,486,636</u>

The Company's obligations under finance leases are secured by the lessor's charge over the leased assets. The net book value of secured assets is disclosed in note 11.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

16 Creditors: amounts falling due after more than one year

	Notes	31 December 2023 £	31 December 2022 £
Obligations under finance leases	17	517,891	890,280

The Company's obligations under finance leases are secured by the lessor's charge over the leased assets. The net book value of secured assets is disclosed in note 11.

17 Finance lease obligations

	31 December 2023 £	31 December 2022 £
Future minimum lease payments due under finance leases:		
Less than one year	372,388	372,388
Between one and five years	517,891	890,280
	890,279	1,262,668

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 2-5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Provisions for liabilities

	Notes	31 December 2023 £	31 December 2022 £
Dilapidations provision		1,092,241	894,853
Deferred tax liabilities	19	365,882	424,760
		1,458,123	1,319,613

Movements on provisions apart from deferred tax liabilities:

	Dilapidations provision £
At 1 January 2023	894,853
Additional provisions in the period	197,388
At 31 December 2023	1,092,241

A provision is made for the directors' best estimate of the costs of returning the rented properties to their original condition as required under the terms of the lease.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

19 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 31 December 2023 £	Liabilities 31 December 2022 £
Balances:		
Accelerated capital allowances	366,611	426,251
Short term timing differences	(729)	(1,491)
	<u>365,882</u>	<u>424,760</u>
		31 December 2023 £
Movements in the year:		
Liability at 1 January 2023		424,760
Credit to profit or loss		(58,878)
Liability at 31 December 2023		<u>365,882</u>

The deferred tax liability set out above is expected to reverse over the life of the assets and relates to accelerated capital allowances that are expected to mature within the same period.

20 Retirement benefit schemes

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>222,835</u>	<u>170,406</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the period end, £24,078 was unpaid (31 December 2022: £22,463). This amount has been included within other creditors.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

21 Share capital

	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
A Ordinary shares of £1 each	75,000	75,000	75,000	75,000
B Ordinary shares of £1 each	20,000	20,750	20,000	20,750
C Ordinary shares of £1 each	2,500	2,250	2,500	2,250
	<u>97,500</u>	<u>98,000</u>	<u>97,500</u>	<u>98,000</u>

The A and B ordinary shares have equal rights in respect of voting, dividends and winding up.

The C ordinary shares gain equal rights in respect of dividends, 2 years after the date of allotment.

During the period, the company repurchased 750 Ordinary B shares for £1 each.

During the period, 250 C Ordinary Shares of £1 each were allotted and fully paid for at a premium totalling £9,750.

22 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserves

The profit and loss reserve represents cumulative profits and losses for the company net of distributions to owners.

23 Financial commitments, guarantees and contingent liabilities

The company is party to a cross guarantee arrangement between other entities of the group in respect of borrowings. As at 31 December 2023, the group borrowings totalled £15,333,532 (31 December 2022: £16,832,657).

24 Operating lease commitments

Lessee

At the reporting end date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2023	31 December 2022
	£	£
Within one year	2,968,525	1,586,332
Between one and five years	8,127,041	1,180,593
	<u>11,095,566</u>	<u>2,766,925</u>

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

25 Related party transactions

Transactions with related parties

During the year, the company entered into the following transactions with related parties:

	Sales		Purchases	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	£	£	£	£
Other related parties	8,174,949	6,778,838	7,175,133	7,212,423

	Dividends paid		Management fees paid	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	£	£	£	£
Entities with control, joint control or significant influence over the company	3,153,105	2,619,375	124,079	96,796
Other minority shareholders	885,236	724,694	-	-

	31 December 2023	31 December 2022
	£	£
Amounts due to related parties		
Other related parties	25,543	88,667

The following amounts were outstanding at the reporting end date:

	31 December 2023	31 December 2022
	£	£
Amounts due from related parties		
Entities with control, joint control or significant influence over the company	220,000	220,000
Other related parties	57,019	67,502

Other information

Other related parties relate to companies in which the directors have an interest.

PALLET - TRACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

26 Ultimate controlling party

The company's immediate parent company is Palman Limited and its registered office is Titan Distribution Centre, Millfields Road, Wolverhampton, West Midlands, United Kingdom, WV4 6JH.

The smallest and largest group to consolidate these financial statements is Havana Topco Limited.

Copies of Havana Topco Limited consolidated financial statements can be obtained from the company secretary at the registered office Titan Distribution Centre, Millfields Road, Wolverhampton, West Midlands, United Kingdom, WV4 6JH.

The ultimate controlling party is TPA Capital LLP.