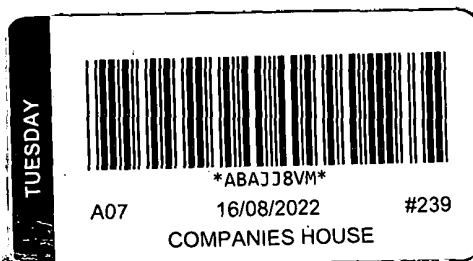


Company registration number: 00965783

DHL PARCEL UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2021



DHL PARCEL UK LIMITED

Contents of Report and Financial Statements

For the year ended 31 December 2021

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The directors present the strategic report of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

DHL Parcel UK Limited (registration number 00965783) is a private limited company by shares and is incorporated and domiciled in the United Kingdom. The Company is both a wholly owned subsidiary of UK Mail Group Limited (registration number 02800218) and a member of the Deutsche Post DHL Group (a global mail and logistics group). The parent Company of the Deutsche Post DHL Group is Deutsche Post AG, which is registered in Bonn, Germany and entered in the commercial register of the Bonn local court.

Copies of the consolidated financial statements of the Deutsche Post DHL Group can be accessed online at dpdhl.com/en/investors.

The registered office of DHL Parcel UK Limited is at 120 Buckingham Avenue, Slough, England, SL1 4LZ.

The Company's principal activities are the operation of parcel and business mail collection and delivery services.

BUSINESS REVIEW

In the opinion of the directors the financial statements give a true and fair review of the development of the business during the year and its position at the end of the year.

For the year ended 31 December 2021 the Company recorded a profit before taxation of £17,764,000 (year ended 31 December 2020: a profit before taxation of £6,278,000) on revenue of £555,201,000 (year ended 31 December 2020: £525,525,000).

The improvements in revenues and profit have been driven by increased volumes during the coronavirus pandemic. The company sold a digital mail product on 30 September 2021 because it was not part of its core service offering. The sale completed in September 2021 for £8,100,000 and profit of £7,886,000 was recognised as other income.

The company continues to be in a strong financial position. Increases in volumes, profitability and cash flows have increased net assets to £63,660,000 (2020: £46,042,000) at the year end.

KEY PERFORMANCE INDICATORS

A number of performance measures are used to assess the development, underlying business performance and position of the Company. These are used collectively, and are periodically reviewed to ensure that they remain appropriate and meaningful measures of the Company's performance. The main key performance indicators for the Company are considered to be revenue growth, operating profit and operating profit margin. These are all discussed in the sections below.

Parcels

Revenues increased by 7.9% to £418,870,000 in the year ended 31 December 2021 (year ended 31 December 2020: £388,143,000) in Parcels, which comprises the Company's business-to-business (B2B), business-to consumer (B2C) and international parcel delivery services.

Parcels operating margin for the year increased to 7.9% (year ended 31 December 2020: 5.0%) resulting in operating profit for the year of £33,226,000 (year ended 31 December 2020: £19,411,000).

The company has continued the high investment programme in the Parcel business with the goal to improve our customer experience and competitiveness of our operations.

Mail

Mail revenues of £136,331,000 for the year ended 31 December 2021 (year ended 31 December 2020: £137,382,000) decreased by 0.8%.

The mail operating margin for the year reduced to 6.1% (year ended 31 December 2020: 10.6%) resulting in operating profit for the year of £8,344,000 (year ended 31 December 2020: £14,511,000). This excludes the profit from the sale of the digital product.

The decrease in revenue and operating margin is caused by the declining UK mail market which is reducing.

Central Costs

The company incurred central costs of £29,542,000 during the year ending 31 December 2021 (year ending 31 December 2020: £25,626,000). We have continued our investment in our central operations during the year to provide the basis for future growth within the Deutsch Post DHL Group.

Net exceptional costs

Net exceptional costs for the year ended 31 December 2021 was £nil (year ended 31 December 2020: £1,871,000). The cost in 2020 represents impairment of property, plant and equipment, right-of-use and intangible assets.

PRINCIPLE RISKS AND UNCERTAINTIES

Cyber Security

The Company is protected against unauthorised access to data and data manipulation through various measures relating to our employees, organisation, application systems and networks. The Company uses firewall systems, virus scanners and access controls at operating system level to protect against data security risks. These standard activities serve to protect the confidentiality, integrity and authenticity of this data, and ensure compliance with a range of regulations including the General Data Protection Regulation ('GDPR'). The DHL Group operates a "Cyber Defence Team" which is constantly monitoring our technology "perimeters" against the risk of cyber-attack. Security mechanisms and plans are subject to ongoing review and improvement.

Other IT risks

Reliance is placed upon the proper functioning of the Company's IT systems for the effective running of operations. Any prolonged interruption to these could have a materially adverse effect on its operations, financial performance and future prospects. The Company has a Business Continuity Plan ('BCP') in the event of IT systems failure, and undertakes annual penetration tests, addressing any resultant issues identified. As mentioned above, networks are protected by firewalls and anti-virus protection. We continue to invest in scalable, secure, stable and resilient technology infrastructure to meet the needs of our organisation and deliver solutions to our customers.

Business continuity risks

The Company could be materially affected if there was a significant incident such as a terrorist incident, fire or flooding, particularly at one of the major hubs, or the main automated sortation equipment was inoperable for a period of time. This could result in severe disruption and reputational damage to the business, which would ultimately impact on the Company's financial performance. To minimise this risk, the Company employs an on-site maintenance team at its National Hub and undertakes an on-going programme of preventative maintenance in order to ensure the continued operation and efficiency of the main sortation equipment as far as possible. Additionally, as detailed in the Company's Business Continuity Plans, sister sites would be utilised in the event of a major incident at any one location.

Legislative and regulatory risks

In recent years, there has been an increased focus both by the government and the courts over 'worker status'. Whilst the Company, which avails itself of a large number of agency and sub-contractor workers firmly believes that it is compliant with existing regulation, the Company could face an increase in its future operational costs, in addition to any potential back dated legal claims and/or tax and national insurance settlements, should the legal position change to any material degree. Competitive pressures may result in an inability to pass on these costs to the Company's customer base.

As a material customer of the Royal Mail, (including service purchased through our agency relationship with them), any changes to the access arrangement could have a material impact on the Company's Mail segment and its economic viability. The Company therefore monitors the Ofcom regulatory environment closely, ensuring the effects of proposed changes are understood. This allows the Company to plan its response accordingly.

Competition risk

The Company is in competition with other providers. Such competition can impact our customer base as well as the level of prices and margins in our markets. In the Parcels and Mail distribution business, the key factors for success are quality, customer confidence and competitive prices. The Company mitigates this risk through close customer contact, with key account managers regularly undertaking performance reviews; addressing any issues identified.

Personnel risks

The Company is highly reliant on the continued service of its key executives and management, who possess the necessary commercial, operational, HR, IT and financial skills that are critical to the success of the Company. Significant staff losses within this group could result in a reduced ability to achieve the Company's strategic and business objectives, including a loss of competitive advantage due to the delayed delivery of projects or required developments. The Company mitigates this risk through regular reviews of remuneration packages, staff skillsets and succession planning. Additionally, as part of the Deutsche Post DHL group, the Company is able to offer all employees a variety of development prospects and a broad range of continuing education, learning and development options, supported by an annual employee development and review process whereby the performance of all employees against their agreed objectives is assessed and discussed, with their immediate managers at least twice per year, as well as their management behaviours against both the DPDHL Leadership Attributes, and the DPDHL eCommerce Solutions Division Attributes.

Covid-19

The coronavirus pandemic has had a significant impact on the company throughout 2020 and 2021. Parcel volumes in 2021 have increased by 35% compared to 2019 driven by lockdowns and e-commerce growth and conversely Mail volumes decreased by 40%.

2020 and 2021 were extraordinary years where all areas of the business stepped up to play their part. DHL decided to pay an extraordinary bonus to all our staff in both years to show our appreciation for the commitment during these incredibly difficult times, where our operational key workers handled high parcel volumes despite covid-19 restrictions being in place and our head-quarters and call centre colleagues have been forced to work from home through much of the pandemic.

Brexit Risks

The United Kingdom formally exited the European Union, or EU, commonly referred to as Brexit, on January 31, 2020. Under the terms of its departure, the United Kingdom entered a transition period, or the Transition Period, during which it continued to follow all European Union rules, which ended on December 31, 2020. On December 30, 2020, the United Kingdom and European Union signed a trade and cooperation agreement, or the Trade and Cooperation Agreement, which has been provisionally applicable since January 1, 2021 and entered into effect on 1 May 2021.

Since January 1, 2021 the United Kingdom has operated under a separate regulatory regime to the European Union. European Union laws regarding medicinal products only apply in respect of the United Kingdom to Northern Ireland (as set out in the Protocol on Ireland/Northern Ireland). The European Union laws that have been transposed into United Kingdom law through secondary legislation remain applicable.

The current risk Brexit now poses to the company is in relation to the Northern Ireland protocol and how goods will move between Great Britain and Northern Ireland. The company is monitoring the situation and preparing a variety of options to meet both regulations and protect trade volumes.

Director's statement of compliance with the 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 most likely promote the success of the company for the benefits of its members as a whole. In doing this section 172 requires a director to have regard, among other matters, to the:

Director's statement of compliance with the duty to promote the success of the Company (continued)
Interests of the company

The directors of the company act in good faith to ensure their long term profitability and continued growth in the marketplace. Investments and new customer contracts go through a strict review process being assessed against set criteria aimed at delivering positive cash flows and profit. Regular performance reviews are conducted to monitor progress and take corrective action if necessary.

Employees

The directors pay special regard to their colleagues as they are a fundamental asset to the business. The employee communication group and the annual employment survey allows each employee the opportunity to voice their concerns and contribute to the day to day running of the business. Employee remunerations and benefits are reviewed through an annual appraisal process.

Customers

The long terms success of the business is driven by a strong and loyal customer base. Any decision that materially impacts its customers is discussed at a board level. The key focus of the company is quality of service through its "customer first" campaign.

Environment and community

The company recognises the impact it has on the environment with regards to CO2 emissions and road safety. When investing in its fleet, the company considers both the financial costs and the environmental impact. 2020 and 2021 has seen an increase in the number of electric and hybrid vehicles amongst its company car and final mile delivery fleet. Furthermore, the company operates within all health and safety and road traffic regulations and legislation.

The DHL UK Foundation is dedicated to making a difference in the local community through partnering with the company's colleagues nationwide. The Foundation aims to support fundraising and volunteering efforts in the local community as well as supporting the education and employability of young people.

Business conduct

The directors ensure business is conducted to a high standard to ensure that is as a desirable company to work with. All negotiations are conducted transparently and at arm's length. The company adheres to all relevant legislation and statutory requirements through regular risk and compliance reviews as well as industry updates on best practice principles.

Fair treatment of members

The company is ultimately privately owned by one member, Deutsche Post AG. The directors ensure fairness by adhering to all relevant legislation and corporate policies and guidelines.

On behalf of the board



P. Mohr

Director

11 August 2022

The directors' present their report and audited financial statements for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The Company's profit for the financial year was £17,758,000 (year ended 31 December 2020: Profit of £6,263,000). No dividends were paid or declared during the year. The directors do not propose a final dividend (year ended 31 December 2020: £nil).

The profit for the financial year of £17,758,000 (year ended 31 December 2020: Profit of £6,263,000) has been transferred to reserves.

DIRECTORS

The directors who have held office during the year and up to the date of approval of the financial statements were:

P Fuller
P Krohn
S Laird

CHARITABLE AND POLITICAL DONATIONS

The Company made charitable donations of £26,000 during the year ended 31 December 2021 (year ended 31 December 2020: £20,000). The Company made no political donations (year ended 31 December 2020: £nil).

EMPLOYMENT POLICY

The Company places considerable value on the involvement of its employees and ensures they are kept informed on matters affecting them as employees including the Company performance, and its strategic priorities as it works on the DPDHL Strategy of being the Employer, Provider and Investment of choice. This is achieved through formal and informal team meetings, Town Halls, frequent communications including company newsletters and the in house Yello! magazine. In addition, all employees participate in an annual Employee Opinion Survey and all managers and colleagues focus on follow up action planning that is a continual process throughout the year.

The Employee Communication Group provides the Company, managers and employees with a forum to discuss and resolve matters of mutual concern and to ensure there is full communication of all matters.

The Company actively encourages the development of all their employees and has a number of programmes that can assist in achieving this at all levels in the business, including e-learning, and apprenticeships. The Company's policy and practice is to encourage the recruitment and subsequent learning, development, career development and promotion of all regardless of age, race, disability, gender, sexual orientation, and according to aptitudes and abilities. Diversity and inclusion is a main priority to the business and the wider DPDHL group

EMPLOYMENT POLICY (continued)

The Company is an equal opportunities employer and holds an 'Investors in People' certificate as well as Top Employer 2021 status.

The average number of staff employed during 2021 was 3,353 compared to 3,068 in the previous year. In 2021 staff costs excluding restructuring measures increased to £107,177,000 (2020: £91,888,000).

CORPORATE GOVERNANCE ARRANGEMENTS

Our business relationships and activities are based upon responsible business practice that complies with applicable laws, ethical standards and international guidelines and this also forms part of the Company's strategy. Equally, we require all suppliers to act in this way. Our code of conduct is aligned to the ultimate parent undertaking, Deutsche Post AG. More details of this can be found in the group financial statements of Deutsche Post AG which can be obtained from the Deutsche Post DHL Group, Zentrale – Investor Relations, 53250 Bonn, Germany.

FUTURE DEVELOPMENTS

The Company continues to invest in improving the customer experience and gain productivity improvements by implementing digital solutions.

GOING CONCERN

The directors of the Company believe that preparation of the financial statements on a going concern basis is appropriate due to the continued financial support of Deutsche Post AG, the Company's ultimate parent undertaking. The directors have received confirmation that Deutsche Post AG intend to support the Company for a period of at least one year from the signing of these financial statements.

In December 2019, COVID-19 emerged and has subsequently spread worldwide. This does not change the going concern status of the company. Furthermore, it had a positive impact on the company's financial statements in 2021.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

As part of our Go Greener initiative, DPDHL has a target to create zero emissions from logistics by 2050, and like many businesses around the globe we are looking for ways to become more environmentally friendly and find cleaner and greener ways to operate.

During 2021 the company continued to install electric vehicle charge points in multiple facilities. This has enabled employees to take up hybrid/electric cars but also roll out electric vans to delivery service vehicles. The company increased its electric vehicle fleet at a number of delivery locations. All of our HGV fleet are Euro 6 emission standard compliant. The vast majority of locations across DHL Parcel UK Limited consume electricity from renewable sources. This is certified by the Carbon Trust to be compliant with the Greenhouse Gas Protocol Scope 2 Guidance.

For the year ended 31 December 2021

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

Regular companywide email and poster communications are issued to educate employees about ways to reduce carbon emissions. Furthermore, DPDHL has recently committed to spending €7 billion up to 2030 in clean operation initiatives. All office based employees attended an in house 'certified GoGreen specialist' training course which is a group wide certified program.

The company reports greenhouse gas emissions resulting from energy use in our buildings, transportation network, and employees' business travel. The below table shows CO₂e emissions and energy consumption as well as our key intensity KPI, emissions per piece.

CARBON EFFICIENCY AND FUEL CONSUMPTION BASED ON TANK TO WHEEL	KT Co2e 2021	KT Co2e 2020*
Scope 1 emissions		
Owned Transport	37.5	29.0
Gas Consumption	0.5	0.4
	38.0	29.4
Scope 2 emissions		
Purchased electricity	0.2	0.1
Scope 3 emissions		
3rd Parties	59.0	63.6
Total gross emissions	97.2	93.1
Emissions per piece (g CO₂e / piece)	961	944
Energy consumption ('000 kWh)		
Electricity	12,007	11,687
Gas	2,587	2,048

*2020 has been restated by the inclusion of Royal Mail carbon and other third party information that was not available at the time.

We have followed the 2019 HM Governmental Reporting Guidelines. All relevant usage is converted to CO₂e using emission factors from the Greenhouse Gas Protocol.

Scope 1 & 2 methodology

Electricity consumed from 100% renewable sources has zero emissions and is not included within Scope 2 of our CO₂e footprint.

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

Scope 3 methodology

Third party line haul is calculated by applying a % assumption of total cost. Parcel final mile delivery CO₂e is based on average miles per day per driver. Royal Mail final mileage is converted at 17.9g Co₂e per mail letter.

Exports sent by third party air are omitted from our reporting as it is not within direct control of our reporting boundary. This volumes accounts for less than 1% of our volume.

STAKEHOLDER ENGAGEMENT

Engaging and building trust with the broad range of stakeholder that interact with, or are impacted by our business, is key to delivering our strategy and ensuring our success over the long term.

Engagement with our stakeholder groups plays a vital role throughout the business. We set out in the following to show our key stakeholder groups, their material issues and how the Company engage with them. Each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships.

Customers.

A key focus for the company is to improve customer experience.

What matters:

- Understanding and support our customers' business
- Maintaining high quality and service levels
- Handling the customers' product with care
- Creating and adding value for our customers
- Service performed safely

How we engage:

- Regular customer contact through our account managers
- Strategic partnership reviews across our Key accounts
- Ongoing customer survey
- Direct marketing and communication

What we are doing:

- Monitor our customer experience by reviewing customer retention, service level and NPA score

STAKEHOLDER ENGAGEMENT (continued)

Employees

We involve and listen to employees to help us maintain strong employee engagement and retain talented people. This has enabled us to be recertified with "Top Employer 2022" status.

What matters:

- Training, development and career prospects
- Health, safety and working conditions
- Fair pay & benefits
- Becoming an Employer of Choice

How we engage:

- Employee opinion survey for employees to provide feedback
- Employee communication group to discuss issues
- Town hall meetings to update employees on current events

What we are doing:

- Monitoring employee engagement through the employee survey and acting on feedback to improve engagement
- Reviewing policies and procedures to improve employee happiness
- Operating learning, development, mentoring and coaching support schemes to support employees in their developmental needs. This is supplemented by a development review process.

STAKEHOLDER ENGAGEMENT (continued)

Governing bodies and regulators

We work with our regulators to ensure we comply with the relevant regulatory obligations. The principle regulatory bodies that we work with are environmental, transport, health and safety, and HMRC.

What matters:

- Compliance with environmental, transport and health and safety regulations and laws.
- Compliance with worker pay and conditions
- Compliance with tax rules

How we engage:

- Regular contact and discussion with regulators
- We deal with tax authorities in an open and collaborative manner
- Various statutory reporting

What we are doing:

- Regular reports from our business on regulatory issues and engagement, especially around health and safety and compliance
- Integrating into a Group VAT compliance tool to strengthen controls
- Maintain open relationships

Suppliers

We work with a number of key suppliers and business partners to deliver our customers' goods to the end user.

What matters:

- Adhering to the agreement terms and conditions
- Continued growth
- Loyalty

How we engage:

- Regular reviews
- Locally through the site managers

What we are doing:

- Conducting business with suppliers who share our high quality standards to ensure security of supply
- Monitoring rates of pay to ensure they are competitive

FINANCIAL RISK MANAGEMENT

The management of the business and the execution of the Company's strategy are subject to a number of risks. The primary risks and uncertainties facing the business which could have a material adverse impact on the Company include:

Market risk

Overall, since the vast majority of the Company's activities are provided to UK businesses, the fortunes of the Company are linked to the general health of the UK economy. The Company's exposure is limited by being spread across a wide range of customers and industry sectors. No single customer accounts for more than 5% of revenue.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. These risks arise principally from the credit exposure to trade receivables, as well as from cash and cash equivalents.

The Company has no significant concentrations of credit risk. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated, with no one customer accounting for more than 5% of trade receivables. The Company has implemented policies that require appropriate credit checks on potential customers before sales commence and strict credit control of outstanding amounts. Trade credit insurance is employed to protect any significant exposure to bad debts.

Price risk

Royal Mail access costs represent a significant cost to the Company. Price risk is limited, as Ofcom is mandated to maintain sufficient headroom between retail and access prices, such that competition is encouraged within the mail industry.

Whilst fuel costs represent less than 3% of total costs there is an element of price risk. Price risk is minimised as significant increases in the fuel price can be passed onto the majority of customers via a fuel surcharge mechanism common throughout the express delivery industry.

Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities. These largely comprise cash at bank and in hand and leases.

Liquidity risk

The Board reviews both the long and short-term financing requirements of the Company to ensure that there are sufficient available funds both for the day-to-day operations of the Company and for planned capital investments.

Capital risk

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to the parent company. The Company's policy has been to maintain a strong capital base in order to sustain the future development of the business and maintain creditor confidence.

The Board's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the parent company and benefits for other stakeholders and to maintain an optimal capital structure.

The Board seeks to maintain a balance between the level of debt (which for these purposes includes leases and inter-company loans) and the advantages and security afforded by a sound capital position. In order to maintain or adjust the capital structure, the Company may draw on borrowing facilities, or sell assets to reduce debt.

Foreign exchange risk

The Company is not significantly exposed to the effects of fluctuations in exchange rates since 99% of all income is in sterling and costs denominated in foreign currency, principally the Euro, representing less than 3% of all expenditure.

There would have been a material impact on profit before tax or equity in the year ended 31 December 2021 or year ended 31 December 2020, had Sterling strengthened or weakened 10% against the Euro.

Post balance sheet events

In 2022 the Company received Corporate approval to build a second Hub to significantly increase its capacity.

DIRECTORS' INDEMNITIES

The Company maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its directors and officers (including former directors and officers who have held office during the year ended 31 December 2021) in the discharge of their duties. This is a qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006.

These indemnities would not provide any coverage where directors are proved to have acted fraudulently or dishonestly.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally

Statement of directors' responsibilities in respect of the financial statements (continued)

Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Directors' confirmations

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

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

Independent auditors

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

On behalf of the board


P Krohn
Director

11 August 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DHL PARCEL UK LIMITED

For the year ended 31 December 2021

Report on the audit of the financial statements

Opinion

In our opinion, DHL Parcel UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2021; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the appropriateness of the underlying cash flow forecasts and performing a retrospective review of actual performance to the prior year model; and
- Performing sensitivity analysis to assess the impact of movements in significant assumptions on the overall liquidity headroom.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DHL PARCEL UK LIMITED

For the year ended 31 December 2021

Conclusions relating to going concern (continued)

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DHL PARCEL UK LIMITED

For the year ended 31 December 2021

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to principal risks of non-compliance with laws and regulations related to relevant tax legislation and applicable local laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and potential management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation;
- Challenging assumptions and judgements made by management in their accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DHL PARCEL UK LIMITED

For the year ended 31 December 2021

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
11 August 2022

DHL PARCEL UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Total 2021 £'000	Total 2020 £'000
Revenue	3	555,201	525,525
Cost of sale		(466,692)	(442,099)
Gross profit		88,509	83,426
Administrative expenses before exceptional items		(79,245)	(74,086)
Operating profit before exceptional items		9,264	9,340
Gain from Property Sale	4	-	946
Impairment of assets	4	-	(2,817)
Total exceptional items	4	-	(1,871)
Other income	5	10,650	827
Operating profit	6	19,914	8,296
Finance income	7	148	3
Finance costs	7	(2,298)	(2,021)
Profit before taxation		17,764	6,278
Tax on profit	9	(6)	(15)
Profit for the financial year		17,758	6,263
Total comprehensive income for the year		17,758	6,263
Total comprehensive income attributable to:			
Equity owners of the Company		17,758	6,263

The related notes numbered 1 to 26 form part of these financial statements

DHL PARCEL UK LIMITED

BALANCE SHEET

Registered number: 00965783

As at 31 December 2021

	Note	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Intangible assets	10	4,476	3,597
Property, plant and equipment	11	64,688	63,817
Right-of-use assets	12	84,073	62,584
Trade and other receivables	13	5,737	2,854
		<u>158,974</u>	<u>132,852</u>
Current assets			
Inventories	14	356	190
Trade and other receivables	13	97,509	64,874
Cash and cash equivalents	15	23	1,886
		<u>97,888</u>	<u>66,950</u>
LIABILITIES			
Current liabilities			
Borrowings	16	(14,607)	(12,366)
Trade and other payables	17	(99,669)	(85,218)
Provisions	19	(2,437)	(2,702)
		<u>(116,713)</u>	<u>(100,286)</u>
Net current liabilities		<u>(18,825)</u>	<u>(33,336)</u>
Non-current liabilities			
Borrowings	16	(68,552)	(48,461)
Deferred tax liabilities	18	(5,737)	(2,854)
Provisions	19	(2,200)	(2,159)
		<u>(76,489)</u>	<u>(53,474)</u>
Net assets		<u>63,660</u>	<u>46,042</u>
Equity			
Ordinary shares	20	1	1
Retained earnings		63,659	46,041
Total equity		<u>63,660</u>	<u>46,042</u>

The related notes numbered 1 to 26 form part of these financial statements.

The financial statements on pages 20 to 52 were approved by the board of directors on 11 August 2022 and were signed on its behalf by:


P Kromm
Director

DHL PARCEL UK LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Ordinary shares £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2020	1	39,495	39,496
Profit for the financial year	-	6,263	6,263
Total comprehensive income for the financial year	-	6,263	6,263
Employees' share option scheme: - value of employee services (Note 21)	-	283	283
Total transactions recorded directly to equity	-	283	283
Balance as at 31 December 2020	1	46,041	46,042

	Ordinary shares £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2021	1	46,041	46,042
Profit for the financial year	-	17,758	17,758
Total comprehensive income for the financial year	-	17,758	17,758
Employees' share option scheme: - value of employee services (Note 21)	-	(140)	(140)
Total transactions recorded directly to equity	-	(140)	(140)
Balance as at 31 December 2021	1	63,659	63,660

1 General information

DHL Parcel UK Limited (registration number 00965783), is a private limited company incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of UK Mail Group Limited (registration number 02800218).

The Company's principal activities are the operation of parcel and business mail collection and delivery services.

The registered office of UK Mail Group Limited is at 120 Buckingham Avenue, Slough, England SL1 4LZ.

2 Principal accounting policies

Accounting policies for the year ended 31 December 2021

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in compliance with FRS 101 'Reduced Disclosure Framework', under the historical cost convention, and in accordance with the Companies Act 2006.

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

- The requirements of IFRS 7 Financial Instruments Disclosures
- IAS 24 requirements to disclose intercompany transactions between related parties that are wholly controlled by the parent entity and key management compensation
- The requirement to produce a Company cash flow statement under IAS 7, 'Statement of cash flows', as the cash flows of the company are included in the consolidated financial statements of Deutsche Post AG
- The requirement to present certain comparative period disclosures under IAS 1
- Certain disclosures in respect of share-based payment arrangements

2 Principal accounting policies (continued)

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern

The directors of the Company believe that preparation of the financial statements on the going concern basis is appropriate due to the continued financial support of Deutsche Post AG, the Company's ultimate parent undertaking. The directors have received confirmation that Deutsche Post AG intend to support the Company for a period of at least one year from the signing of these financial statements.

In December 2019, COVID-19 emerged and has subsequently spread worldwide. This does not change the going concern status of the company. Furthermore, it has had a positive impact on the company's financial statements in both 2020 and 2021.

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the company's financial statements.

Intangible assets

Intangible assets include acquired computer software licences not part of the operating software acquired with a related piece of hardware. These are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful economic lives, of between three and seven years, which are reviewed annually.

Costs that are directly associated with development of identifiable and unique software products generated for use by the Company, and where it is probable that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These represent the direct employment costs of software developers' time spent on relevant projects.

2 Principal accounting policies (continued)**Intangible assets (continued)**

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful economic lives, of between three and seven years, which are reviewed annually.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes the original purchase price of the asset and the cost of bringing the asset to its working condition for intended use. Borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Depreciation

Depreciation is provided on a straight line basis so as to write off the cost of the assets to their residual value over their estimated useful economic lives, which are principally:

Freehold land and buildings	fifty years
Short leasehold buildings	the period of the lease
Motor vehicles, plant and equipment	three to fifteen years
Computer equipment	three to seven years

Freehold land is not depreciated.

The normal expected useful lives and residual values of the major categories of property, plant and equipment are reviewed annually.

The carrying value of property, plant and equipment is reviewed at least annually. Any resultant impairment losses are charged immediately to the statement of comprehensive income.

2 Principal accounting policies (continued)

Impairment of non-financial assets

At each balance date, the Company reviews the carrying amount of non-current assets to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment loss for an individual asset will be reversed if there has been a change in estimate used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of amortisation or depreciation, had no impairment loss been recognised.

Inventories

Inventories represented by fuel stocks held by the Company, are stated at the lower of cost and net realisable value.

Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business.

2 Principal accounting policies (continued)

Leases

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation.

The Company as lessee has recognised at present value assets for the right of use received and liabilities for the payment obligations entered into for all leases in the balance sheet. Lease liabilities include the following lease payments:

- Fixed payments, less incentives offered by the lessor;
- Variable payments linked to an index or interest rate;
- Expected residual payments from residual value guarantees;
- The exercise price of call options when exercise is estimated to be sufficiently likely and
- Contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Leases payments are discounted at the implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate.

Right-of-use assets are measured at cost, which comprises the following:

- Lease liability;
- Lease payments made at or prior to delivery, less lease incentives received;
- Initial direct costs and
- Restoration obligations.

Right-of-use assets are subsequently measured at amortised cost. They are depreciated over the term of the lease using the straight-line method.

The Company will make use of the relief options provided for leases of low-value assets and short-term leases (being those shorter than 12 month duration) and expense the payments in the statement of comprehensive income according to the straight-line method. Furthermore, these rules are not applied to leases on intangible assets. The Company also exercises the option available for contracts comprising lease components as well as non-lease components not to split these components, except in the case of real estate.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Company the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising or not exercising termination options are taken into account. Changes due to the exercise or non-exercise of such options are considered in determining the lease term only if they are sufficiently probable.

2 Principal accounting policies (continued)

Revenue

The Company's normal business operations consist of the provision of mail and parcel collection and delivery. All income relating to normal business operations is recognised as revenue in the statement of comprehensive income. Revenue reflects all sales made by the Company, whether delivered by network services, franchises or sub-contractors. The Company remains the principal in all transactions, save where it acts as an agent under an agency access arrangement with the Royal Mail ('AFA revenue'), on behalf of its customers.

AFA revenue represents charges for Royal Mail postal services whereby the Company recognises its share of the overall transaction charge to the customer as revenue, excluding those elements collected on behalf of, and payable to the Royal Mail, for their services.

All other income is reported as other operating income.

Revenue is recognised when control over the goods or services transfers to the end customer, i.e. when the end customer has the ability to control the use of the transferred goods or services provided and generally derive their remaining benefits. The requirement is that a contract with enforceable rights and obligations exists and, amongst other things, the receipt of consideration is likely, taking into account the customer's credit quality. The revenue corresponds to which the Company is expected to be entitled. Variable consideration is included in the transaction price when it is highly probable that a significant reversal in the amount of revenue recognised will not occur and as soon as the uncertainty associated with the variable consideration no longer exists.

For each performance obligation, revenue is either recognised at a certain time or over a certain period of time.

All revenues are stated net of value added tax.

Cost of sales

Cost of sales reflects all the direct costs incurred in the collection and delivery of a consignment, including the costs of sub-contracted and employed drivers, line haul costs, and Royal Mail access costs (save for AFA access costs which are not shown in the Income Statement as DHL Parcel UK Limited acts as the agent for the customer), together with the direct costs of operating the network. Cost of sales includes the depreciation cost of mail sortation machines, network vehicles, cages and site equipment.

2 Principal accounting policies (continued)

Administrative expenses

Administrative expenses reflect all the establishment and central support costs of the Company, including the remuneration of non-operational site based staff and DHL Parcel UK Limited head office personnel, fellow Deutsche Post DHL support cost recharges, depreciation of buildings, amortisation of central IT systems, and bad debts.

Taxation

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is the tax expected to be payable on taxable temporary differences or recoverable on deductible temporary differences. Temporary differences are differences between the company's carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

The company has entered into an agreement regarding UK corporation tax payments and refunds with Exel Limited, a fellow group undertaking. Under the terms of this agreement Exel Limited has undertaken to discharge the current and future UK corporation tax liabilities on behalf of, and benefit from any tax recoverable due to, the company. The company recognises its UK corporation tax payable/recoverable and deferred tax liabilities/assets but as such liabilities/assets are indemnified by Exel Limited an indemnification asset for the amount due from/to Exel Limited is also recognised in the statement of financial position until the amount is settled/recovered on the company's behalf. The net tax charge on the profit or loss on ordinary activities that has been indemnified by Exel Limited is netted against the indemnification amount due from Exel Limited in the statement of comprehensive income.

2 Principal accounting policies (continued)

Taxation (continued)

(ii) Deferred tax (continued)

As a result of the above agreement with Exel Limited the company will not benefit from the reversal of deferred tax assets and consequently these are not recognised in the financial statements.

Pension costs

The Company makes contributions to a defined contribution pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension costs charged in the statement of comprehensive income represent contributions payable by the Company to the scheme together with the administration charges of the scheme.

Foreign currencies

Transactions in foreign currencies are recorded in sterling at the rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences arising from trading transactions are dealt with in the statement of comprehensive income.

Share-based payments

Under the PSP (Performance Share Plan), shares in Deutsche Post AG are issued to participants at the end of the vesting period. The Company records an expense in the statement of comprehensive income over the vesting period and credits other reserves within equity with the capital contribution from the parent. When Deutsche Post AG recharges the Company for the cost of the PSP issued to the Company's employees, the Company debits other reserves. As the Company has the obligation to settle the transaction then the Company accounts for these awards as cash-settled.

Under the SMS (Share Matching Scheme), certain executives receive part of their variable remuneration for the financial year in the form of shares in Deutsche Post AG in the following year ('deferred incentive shares'). All affected executives can specify an increased equity component individually by converting a further portion of their variable remuneration for the financial year ('investment shares'). After a four-year lock-up period during which the executive must be employed with the Deutsche Post group of companies, they again receive the same number of Deutsche Post AG shares ('matching shares').

2 Principal accounting policies (continued)

Share-based payments (continued)

Whereas incentive shares and matching shares are classified as equity-settled share-based payments, investment shares are compound financial instruments and the debt and equity components must be measured separately. However, in accordance with IFRS 2.37, only the debt component is measured due to the provisions of the Share Matching Scheme. The investment shares are therefore treated as cash-settled share-based payments.

Under the ESP (Employee Share Plan), deductions for shares are taken from employees and held in equity. An accrual is made to account for the 25% discount which is shown in the income statement and equity. Employees receive these shares at the end of a three month saving period.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Contingent assets

Contingent assets are those possible assets that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In accordance with IFRS, contingent assets are not recognised as assets.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IFRS, contingent liabilities are not recognised as liabilities.

2 Principal accounting policies (continued)

Exceptional items

Material and non-recurring items of income and expense are disclosed in the statement of comprehensive income as exceptional items. Examples of items which may give rise to disclosure as exceptional items include material gains or losses on the disposal of businesses or non-current assets, material asset impairments, and business reorganisation and restructuring costs.

Dividends

Interim dividends are recognised as a distribution from retained earnings in the period in which they are paid.

Final dividends are recognised as a distribution from retained earnings in the period in which they are approved and declared by the directors.

Share capital

Ordinary shares are classified as equity.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

Trade and other receivables: These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off to the statement of comprehensive income when identified.

Trade and other payables: Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 Principal accounting policies (continued)

Interest-bearing loans and borrowings: All interest-bearing loans and borrowings are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium.

Cash and cash equivalents: These comprise cash in hand and current account and demand deposit balances with banks and similar institutions, which are readily convertible to a known amount of cash within three months and which are subject to insignificant risk of changes in value.

Government Grants

The company currently recognises grants the coronavirus job retention scheme. This is recognised on an accrual basis, when the claim is certain, and the value can be determined. At recognition a receivable is created, and the income is shown under other income of the Statement of Comprehensive Income.

3 Revenue

a) Revenue by Geography

	2021 £'000	2020 £'000
UK	540,439	512,670
Europe	6,426	8,332
Rest of World	8,336	4,523
	<u>555,201</u>	<u>525,525</u>

b) Revenue by Category

	2021 £'000	2020 £'000
Parcel	418,870	388,143
Mail	136,331	137,382
	<u>555,201</u>	<u>525,525</u>

DHL PARCEL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4	Exceptional items	2021 £'000	2020 £'000
	Gain from property sale	-	946
	Exceptional income	<u>-</u>	<u>946</u>
	Impairment of property, plant and equipment (note 11)	-	(938)
	Impairment of right-of-use assets (note 12)	-	(593)
	Impairment of intangible assets (note 10)	-	(1,286)
	Exceptional costs	<u>-</u>	<u>(2,817)</u>
	Net exceptional cost	<u>-</u>	<u>(1,871)</u>

Exceptional income (Year ended 31 December 2020)

A freehold property was sold in 2020 as it no longer matched the strategic direction of the company.

Exceptional Cost (Year ended 31 December 2020)

Impairment of non-current assets

The Directors identified assets that no longer fitted into the long-term strategic application landscape of the Company.

5	Other Income	2021 £'000	2020 £'000
	Sale of Digital	7,886	-
	Miscellaneous	2,764	827
		<u>10,650</u>	<u>827</u>

Sale of Digital represents of a product offering which completed in September 2021. Proceeds of sale were £8,100,000. Miscellaneous represents incomes from non-core activities and provision releases. In 2020 Miscellaneous was CJRS income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

6 Operating profit	2021	2020
	£'000	£'000
The following items have been charged/(credited) in arriving at operating profit:		
Royal mail access costs	105,714	107,469
Subcontractor costs	179,074	167,763
Employee benefits expense (note 8)	107,177	91,888
Cost of inventories (included in costs of sales)	15,202	11,952
Depreciation of property, plant and equipment (note 11 and 12)		
- Owned assets and right of use	23,046	20,967
Amortisation of intangibles (included in administrative expenses) (note 10)		
- Owned assets	1,708	2,895
Other lease expenses		
Short-term leases	5,276	2,521
Low-value asset leases	10	288
Variable lease payments	221	354
Repairs and maintenance expenditure on property, plant and equipment	8,344	8,340
Gain in disposal of property, plant and equipment	(86)	-
(Gain)/Loss on foreign currency translation	(86)	48
Operating lease rentals receivable		
- Plant and machinery	(831)	(590)
- Computer equipment	(60)	(60)
Impairment of intangible assets (note 10)	-	1,286
Impairment of property, plant and equipment (note 11)	-	938
Impairment of right of use assets (note 12)	-	593
Impairment/(impairment reversal) of trade receivables (included in administrative expenses)	23	(189)
Services provided by the Company's auditors		
During the year the Company obtained the following services from the Company's auditors:		
Fees payable to the Company's auditors for the statutory audit of the Company's financial statements	163	160
	<u>163</u>	<u>160</u>

DHL PARCEL UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

7	Net finance costs	2021 £'000	2020 £'000
	Interest receivable on:		
	In-house bank	148	2
	Bank deposits	-	1
	Finance income	148	3
	Interest payable on:		
	Right of use assets (under IFRS 16)	(2,180)	(2,021)
	In-house bank	(4)	-
	Other	(114)	-
	Finance costs	(2,298)	(2,021)
	Net finance costs	(2,150)	(2,018)

Details of the Company's in-house bank arrangements are detailed in note 13.

8 Employees and directors

Employee benefits expense for the Company during the year (including executive directors but excluding restructure costs).

	2021 £'000	2020 £'000
Wages and salaries	95,976	82,088
Social security costs	9,023	7,656
Other pension costs *	2,038	1,861
Share-based payments (Note 21)	140	283
	107,177	91,888

* Post-employment benefits all relate to defined contribution pension schemes. At the year-end there was a payment of £494,000 (31 December 2020 £420,000) outstanding.

8. Employees and directors (continued)

Average monthly number of persons employed (including executive directors)

	2021 Number	2020 Number
Operations	3,111	2,867
Administration	242	201
	<u>3,353</u>	<u>3,068</u>
Directors' emoluments	2021 £'000	2020 £'000
Aggregate emoluments	1,411	1,248
Post-employment benefits	23	23
	<u>1,434</u>	<u>1,271</u>

The highest paid director was paid £611,000 (2020: £528,000). Included within this is a salary supplement of £37,000, paid as an alternative to a pension contribution (2020: £37,000).

Pension contributions were made in respect of one (2020: one) director; paid as a supplement to the director's salary.

DHL PARCEL UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

9 Tax on profit / (loss) on ordinary activities

A fellow group undertaking, Exel Limited, has undertaken to discharge the company's liability to UK corporation tax. The company has also agreed that Exel Limited will benefit from any tax recoverable. The indemnification asset arising under this agreement, if any, is disclosed in other receivables.

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on the profit for the year	6	15
Total current tax	<u>6</u>	<u>15</u>
Deferred tax		
Origination and reversal of timing differences	1,435	624
Impact of changes in tax rates	1,540	235
Adjustments in respect of prior years	(93)	(469)
Movement on UK deferred tax indemnified by Exel Limited	<u>(2,882)</u>	<u>(390)</u>
Total deferred tax	<u>-</u>	<u>-</u>
Total tax per income statement	<u>6</u>	<u>15</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9 Tax on profit (continued)**Reconciliation of tax charge**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	<u>17,764</u>	<u>6,278</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	3,375	1,193
Effects of:		
Expenses not allowable for UK tax	116	38
Income not subject to UK tax	(2,135)	(195)
Capital allowances in excess of depreciation	34	132
Impact of changes in tax rates	1,540	235
Group relief (claimed from)/surrendered to other group companies	51	(544)
Adjustments in respect of prior years	(93)	(454)
Movement on UK deferred tax indemnified by Exel Limited	(2,882)	(390)
Total tax per income statement	<u>6</u>	<u>15</u>

Tax rate

The standard rate of Corporation Tax is 19% (2020: 19%).

DHL PARCEL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10 Intangible assets

	Acquired software licences £'000	Software development cost £'000	Total £'000
Cost			
At 1 January 2021	5,162	12,189	17,351
Additions	-	2,778	2,778
Disposal	(73)	(1,965)	(2,038)
At 31 December 2021	5,089	13,002	18,091
Accumulated amortisation			
At 1 January 2021	5,067	8,687	13,754
Charge for the year	38	1,670	1,708
Disposal	(58)	(1,789)	(1,847)
At 31 December 2021	5,047	8,568	13,615
Net book value at 31 December 2021	42	4,434	4,476
Net book value at 31 December 2020	95	3,502	3,597

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold building £'000	Motor vehicles, plant and equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2021	36,578	4,497	46,697	9,152	96,924
Additions	-	2,322	7,679	460	10,461
Disposals	(7)	(182)	(2,778)	(768)	(3,735)
At 31 December 2021	36,571	6,637	51,598	8,844	103,650
Accumulated depreciation					
At 1 January 2021	5,515	2,131	19,630	5,831	33,107
Charge for the year	703	593	5,866	1,409	8,571
Disposals	(7)	(182)	(2,042)	(485)	(2,716)
Impaired	-	-	-	-	-
At 31 December 2021	6,211	2,542	23,454	6,755	38,962
Net book value at 31 December 2021	30,360	4,095	28,144	2,089	64,688
Net Book value at 31 December 2020	31,063	2,366	27,067	3,321	63,817

12 Right-of-use assets

The company has lease contracts for various warehouses and equipment used in the operations. The amounts recognised in the financial statements in relation to the leases are as follow:

a) Amounts recognised in the statement of financial position

	2021 £'000	2020 £'000
Right of use assets		
Buildings	64,177	48,030
Motor, plant and machinery	19,896	14,554
	<u>84,073</u>	<u>62,584</u>
Lease liabilities		
Current	14,607	12,366
Non-current	68,552	48,461
	<u>83,159</u>	<u>60,827</u>

Additions to the right of use assets during the 2021 financial year were £36,166,000, 2020 £20,761,000.

b) Amounts recognised in the income statement

	2021 £'000	2020 £'000
Depreciation		
Buildings	10,487	9,121
Motor, plant and machinery	3,989	4,396
	<u>14,476</u>	<u>13,517</u>
Impairment	-	(593)
Interest expense	(2,180)	(2,021)
Expenses relating to short-term leases	(5,276)	(2,521)
Expenses relating to low value leases	(10)	(288)
Expenses relating to variable leases	(221)	(354)
Future minimum leases payments at 31 December		
Not later than one year	16,908	14,220
Later than one year and not later than five years	54,505	37,492
Later than five years	20,184	15,868
Total gross payments	<u>91,597</u>	<u>67,580</u>
Impact of finance expenses	(8,438)	(6,753)
Carrying amount of liability	<u>83,159</u>	<u>60,827</u>

The total cash outflow for leases in 2021 was £15,606,000 (2020: £15,193,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	54,977	45,977
less: provision for impairment	(341)	(365)
Trade receivables - net of provisions for impairment	<u>54,636</u>	<u>45,612</u>
Amounts owed from group undertakings	29,206	5,265
Other receivables	4,997	4,616
Prepayments and accrued income	<u>8,670</u>	<u>9,381</u>
	<u>97,509</u>	<u>64,874</u>
	2021 £'000	2020 £'000
Amounts falling due after more than one year:		
Other receivable	<u>5,737</u>	<u>2,854</u>

The provisions for impairment of Trade receivables relate to customers' balances that are impaired at the balance sheet date but not written off.

All carrying amounts above are denominated in sterling. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Amounts owed from group undertakings represents the Deutsche Post DHL in-house bank facility whereby the majority of the Company's cash is pooled with the Corporate Treasury department in Bonn, Germany on a daily basis. For the year ended 31 December 2021 interest was charged at 0.73% to 0.80%.

Other receivables due after more than one year relates to the indemnification asset of £5,737,000 (2020: £2,854,000) due from Exel Limited for the company's UK deferred tax liability (see note 18). Finance Act 2021 increased the main rate of corporation tax from 19% to 25% with effect from 1 April 2023.

14 Inventories

	2021 £'000	2020 £'000
Fuel stock	<u>356</u>	<u>190</u>

DHL PARCEL UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021**

15	Cash and cash equivalents	2021	2020
		£'000	£'000
	Cash at bank and in hand	<u>23</u>	<u>1,886</u>

For the year ended 31 December 2021, interest of 0.44% was receivable on cash in hand balances (31 December 2020: 0.25%), and interest charged on borrowings of 1.14% (Year ended 31 December 2020: 0.45%).

16	Borrowings	2021	2020
		£'000	£'000
	Current		
	Amounts due within one year or on demand:		
	Finance lease obligations	<u>14,607</u>	<u>12,366</u>
		<u>14,607</u>	<u>12,366</u>
	Non-current		
	Finance lease obligations	<u>68,552</u>	<u>48,461</u>

DHL PARCEL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 Trade and other payables	2021 £'000	2020 £'000
Trade payables	45,944	36,365
Amounts owed to group undertakings	13,657	15,096
Amounts owed to franchisees	1,265	1,325
Other payables	12,341	9,495
Taxes and social security	11,753	8,520
Accruals	13,654	13,602
Deferred income	1,055	815
	<u>99,669</u>	<u>85,218</u>

Amounts owed to group undertakings do not bear interest, are unsecured and repayable on demand.

18 Deferred Tax

A summary of the company's deferred tax asset/(liability) is as follows:

	2021 £'000	2020 £'000
Accelerated capital allowances	(6,417)	(3,607)
Other timing differences	680	753
Net deferred tax liability	<u>(5,737)</u>	<u>(2,854)</u>

Deferred tax is calculated at 19% and 25% (2020: 19%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 Deferred tax liabilities (continued)**Provision for liabilities**

	2021 £'000	2020 £'000
At 1 January	2,854	2,464
Charge to income statement	2,883	390
At 31 December	<u>5,737</u>	<u>2,854</u>

The company had a net deferred tax liability at 31 December 2021 of £5,737,000 (2020: £2,854,000) which has been recognised in the financial statements.

A fellow group undertaking, Exel Limited, has agreed to indemnify the company against its current and future liabilities to UK corporation tax, and accordingly an indemnification asset due from Exel Limited equal to the deferred tax liability has been recognised in the balance sheet.

No significant reversal of the deferred tax liability is expected in 2022.

Finance Act 2021 increased the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements based on when the timing differences are expected to reverse

19 Provisions

	Lease dilapidation £'000	Tax on staff incentive £'000	Litigation £'000	Onerous Contracts £'000	Total £'000
At 1 January 2021	3,888	57	223	693	4,861
Charged to the income statement	517	68	282	-	867
Reversal to income statement	-	-	-	(335)	(335)
Utilised in the year	(491)	(71)	-	(194)	(756)
At 31 December 2021	<u>3,914</u>	<u>54</u>	<u>505</u>	<u>164</u>	<u>4,637</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

19 Provisions (continued)

Provisions have been analysed between current and non-current as follows:

	2021 £'000	2020 £'000
Current	2,437	2,702
Non-current	2,200	2,159
	<u>4,637</u>	<u>4,861</u>

Lease dilapidations represent the anticipated expenditure resulting from the Company's contractual obligations to make good properties prior to reversion of the building to the landlord in respect of leases expiring within one year and up to 10 years. The timing of outflows is variable and is dependent not only on property lease expiry dates, and opportunities to surrender leases, but repair programmes and the results of negotiation.

The tax on staff incentive provision relates to the anticipated tax liability arising following the issue of awards and vouchers to employees including long service awards.

The litigation provision represents a small number of litigation matters which have been created during and prior to 2021. The outflow will be determined either by out of court settlement or in court judgment.

The directors have made an assessment of its contracts profitability and provision has been made for any onerous commitments. This will be utilised by mid-2022.

20 Ordinary shares

	2021 £'000	2020 £'000
Authorised, issued, allotted and fully paid 1,000 (31 December 2020: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

21 Share-based payments**Performance Share Plan ('PSP')**

Under the PSP shares are issued to participants at the end of the waiting period based on the achievement of demanding performance targets (details of which can be found in the Annual Report of Deutsche Post AG for the year ended 31 December 2021).

The value of the PSP is measured using actuarial methods based on option pricing models (fair value measurement). The PSP's are measured at each reporting date and at the settlement date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

21 Share-based payments (continued)

Performance Share Plan ('PSP') (continued)

As a result, a charge of £135,000 was recognised. (Year ended 31 December 2020: a charge of £283,000).

More details on the Plan tranches are shown in the following table:

	2021 Tranche	2020 Tranche	2019 Tranche	2018 Tranche
Issue date	1 September 2021	1 September 2020	1 September 2019	1 September 2018
Exercise price (€)	€58.68	€37.83	€28.88	€31.08
Waiting period expires	31 August 2025	31 August 2024	31 August 2023	31 August 2022
Risk-free interest rate	-0.80%	-0.72%	-0.90%	-0.39%
Initial dividend yield of Deutsche Post Shares	3.07%	3.57%	3.98%	3.70%
Yield volatility of Deutsche Post shares	26.49%	24.89%	21.38%	22.39%

As detailed above, certain executives receive part of their variable remuneration for the financial year in the form of shares of Deutsche Post AG in the following year, and may further specify an increased equity component individually by converting a further portion of their variable remuneration for the financial year (investment shares).

Share matching scheme ('SMS')

The following table provides further details on the SMS tranches:

	2021 Tranche	2020 Tranche	2019 Tranche	2018 Tranche	2017 Tranche
Grant date of incentive shares and associated matching shares	1 Dec 2021	1 Dec 2020	1 Dec 2019	-	1 Dec 2017
Grant date of matching shares awarded for investment shares	1 Apr 2022	1 Apr 2021	1 Apr 2020	1 Mar 2019	1 Apr 2018
Term - months	52	52	52	52	52
End of term	Mar 2026	Mar 2025	Mar 2024	Jun 2023	Mar 2022
Share price at grant date (fair value) (€):					
Incentive shares and associated matching shares	€53.55	€40.72	€33.29	-	€39.26
Matching share and awarded for investment shares	€61.00	€46.52	€23.83	€27.30	€34.97

21 Share-based payments (continued)**Share matching scheme ('SMS') (continued)**

In the first quarter of 2019, a decision was made not to grant a variable remuneration component to executives for the 2018 financial year. This is why there was no 2018 tranche of the SMS. As an alternative, executives were granted a voluntary investment in shares of Deutsch Post AG. This investment could be made as a contribution or in the form of freely available Deutsch Post AG shares in the securities account.

Employee Share plan ('ESP')

The Employee Share Plan (ESP) was introduced for selected group of executives starting on 1 September 2021. Participation in the ESP is voluntary. Executives participating in the ESP can acquire shares of Deutsche Post AG at a discount of 25% from the market price, up to a cap of €10,000 or €15,000, depending on their level. The ESP is offered quarterly. Prior to every savings period, the participating executives can choose the share of their remuneration they wish to invest in the ESP during the upcoming three-month savings period. At the beginning of the following quarter, executives receive shares at a discount of 25% from the market price.

A charge of £5,000 has been recognised representing the 25% discount (Year ended 31 December 2020: nil).

22 Contingent liabilities

The Company is subject from time to time to litigation and/or claims from external parties. The Company establishes provisions in connection with litigation where it has a present legal or constructive obligation as a result of past events, and where it is more likely than not that an outflow of resources will be required to settle such obligations and the amount can be reliably estimated. Since these provisions, which are reflected in the Company's financial statements represent estimates, the final resolution of any such matters could have a material effect on the Company's operating results and cash flows for a particular reporting period.

23 Capital and other financial commitments

	2021	2020
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements		
Intangible assets	179	303
Property, plant and equipment	138	170
	<u>317</u>	<u>473</u>

24 Ultimate parent undertaking and controlling party

UK Mail Group Limited is the company's immediate parent undertaking and Deutsche Post AG, which is incorporated in Germany, is the ultimate parent undertaking and the ultimate controlling party. The parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared is Deutsche Post AG, which is incorporated in Germany.

Copies of the group financial statements of Deutsche Post AG can be obtained from Deutsche Post DHL Group, Zentrale – Investor Relations, 53250 Bonn, Germany.

25 Critical accounting judgements and key sources of estimation uncertainty

The Company's accounting policies are set out in note 2 to these financial statements. Management is required to exercise significant judgement in the application of these policies. Areas which management believes require the most critical accounting judgements are as follows (apart from those policies involving estimation which are outlined in (b) below).

a) Critical accounting judgements in applying the Company's accounting policies

Exceptional items

The directors consider that items of income or expense which are material by virtue of their nature and amount should be disclosed separately if the financial statements are to fairly present the financial performance of the Company. The directors label these items collectively as 'exceptional items'.

Determining which transactions is to be considered exceptional is often a subjective matter. However, circumstances that the directors believe would give rise to exceptional items, requiring separate disclosure would include;

- i) loss or cessation of a material contract representing 5% or more of the Company's revenues;
- (ii) disposal of non-current assets where the profit or loss represents 5% or more of the Company's profit before tax; and
- (iii) organisational or restructuring programmes, including acquisition costs following a change of company ownership.

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

Capitalisation of intangible assets

The cost of internally generated assets are capitalised as intangible assets where it is determined by management's judgement that the ability to develop those assets is technically feasible, will be completed, and that the assets will generate economic benefits over and beyond their cost.

Right of use assets

In recognising the value of right of use assets on the balance sheet, management is required to determine the most likely course of action with regard to the exercising of options. In forming their opinion, reference is made to the long-term strategic plans of the Company. Changes to this strategy may result in changes to the carrying value of these assets.

b) Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions about the future, which will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of trade receivables

Trade receivables are stated in the balance sheet at their nominal value less any appropriate provision for irrecoverable amounts. In determining whether provision is required against any trade receivable, judgment is required in estimating the likely levels of recovery. In exercising this judgment, consideration is given to both the overall-economic environment in which a debtor operates, as well as specific indicators that the recovery of the nominal balance may be in doubt, for example days' sales outstanding in excess of agreed credit terms or other qualitative information such as historical trend. The Directors also consider debtor specific circumstances.

Provisions

The Company has provided for the estimated cost of making good properties on cessation of the lease. This requires the Directors to make an assessment of the potential cost of the work as at the reporting date. However, these costs will not be immediately incurred and on an on-going basis, the Company maintains its properties through a programme of repair and renewal which may result in changes required in the carrying value of these provisions.

DHL PARCEL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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26 Post balance sheet events

In 2022 the Company received Corporate approval to build a second Hub to significantly increase its capacity.