REGISTERED NUMBER: 00528867 (England and Wales)

Annual Report and

Financial Statements for the Year Ended 31 December 2021

for

DHL SUPPLY CHAIN LIMITED

Contents of the Financial Statements
for the Year Ended 31 December 2021

DHL SUPPLY CHAIN LIMITED (REGISTERED NUMBER: 00528867)

Company Information
for the Year Ended 31 December 2021

DIRECTORS:	L Bridges M Bristow S Conday J Hartshorne A Hislop G Murdoch D Peacock S Resnick R Taylor A Weyer
REGISTERED OFFICE:	Solstice House 251 Midsummer Boulevard Milton Keynes Buckinghamshire MK9 1EA
REGISTERED NUMBER:	00528867 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Exchange House Central Business Exchange Midsummer Boulevard Central Milton Keynes MK9 2DF

DHL SUPPLY CHAIN LIMITED (REGISTERED NUMBER: 00528867)

Strategic Report
for the Year Ended 31 December 2021

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

REVIEW OF BUSINESS
The principal activity of the company in the year under review was that of provision of value added contract logistics solutions along the entire supply chain for customers from a wide variety of sectors. The company provides a range of services from planning, sourcing, production, storage and delivery to returns logistics and end customer service, to ensure a smooth logistics flow for our customers. The company offers warehousing, distribution, managed transport and value-added services, supply chain management and consulting as well as lead logistics provider solutions. The aim is to ensure that our customers' products reach their markets quickly and efficiently, thus securing them crucial competitive advantages.

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

	2021	2020
	£'000	£'000
Profit/(Loss) for the financial year	**33,845**	(7,431)
Net assets	**427,937**	394,092

During 2021 the operating activities previously reported in Tradeteam Limited, a fellow group subsidiary providing logistics services to the drinks industry in the United Kingdom, were moved to DHL Supply Chain Limited. This involved the novation of existing customer contracts to DHL Supply Limited. At the same time the assets and majority of the leases relating to these operations also transferred. This took effect in the second half of 2021, and consolidated the hospitality activities of the DHL Supply Chain UK business into one legal entity.

The company continued to be impacted by COVID-19 during 2021. The staff are provided by DHL Services Limited, a fellow group company, that participated in the government Coronavirus Job Retention Scheme to support those staff unable to work due to this reduced activity, and mitigate the impact on the company. The benefit received through this scheme by DHL Services Limited was passed on to DHL Supply Chain Limited through the management fee (see note 5).

Certain sectors continued to be more affected than others from the impact of the virus. Life Sciences and certain Retail customers experienced limited disruption, however other sectors such as aviation and hospitality, including the activity transferred in from Tradeteam Limited, continued to be adversely affected during 2021. However, the year on year operating profit improvement reflects the absence of significant additional onerous lease provisions and asset impairments compared to write downs in 2020 of £49.7m, and the release of £11.9m of provisions in 2021 relating to vacant sites that were transferred to third parties. Revenue benefitted from significant new business wins and increased activity levels in the Transport and Life Sciences businesses, together with the impact of the Tradeteam activity transfer part way through 2021.

REVIEW OF BUSINESS - continued

Across the sectors, the Life Sciences, and Retail & Consumer revenue exceeded pre-pandemic levels.

During 2021 there was an industry wide challenge due to a shortage of drivers, manifesting itself in terms of availability and cost of trained personnel. The company is protected through its contractual arrangements with customers and is largely able to recover increased costs. The Supply Chain business in the UK has taken steps under the 'Driving Ambition' strategy to attract divers and support the training of new drivers, including the launch of a driver training centre. The measure is seen as a strong employment proposition in attracting talent to the business.

During 2021 the company also experienced increased fuel cost both directly, and indirectly via increased sub-contractor costs. The company is protected through its contractual arrangements with customers and is largely able to recover increased costs, thereby minimising the impact on profitability. There was, however, an impact relating to the Tradeteam operations transferred into the company during the year where the company absorbed the impact on profitability of both the increased driver costs and fuel costs.

The directors are currently not seeing any significant impact from the war in Ukraine but are continuing to monitor the situation.

The company has identified the following two key performance indicators that are regarded as central to its future profitability. The actual performance against these indicators is shown below:

	2021	2020
Increase/(decrease) in turnover (%)	**8**	(16)
Increase/(decrease) in operating profit/(loss) (£m)	**40**	(143)

During the current year the company received no dividend income compared to £4,050,000 in 2020.

During 2021, fixed asset additions were £109m (2020: £49.8m) of which property was £44m (2020: £3.9m) and plant and machinery was £65m (2020: £45.9m). The company continued to invest in software to provide transportation and warehousing solutions for new and existing customers during 2021 of £1.4m (2020: £8.2m).

The directors are satisfied with the position of the company at the year end and continue to monitor performance.

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct;
- and the need to act fairly with members of the company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders the Board has identified with regard to this are:

- Our customers and partners
- Our employees
- Our investor
- Our suppliers
- Our community

The Board sees the value of building and maintaining strong relationships with these stakeholders and is committed to delivering regular and sustained ways of doing so, with a view to this activity providing an exceptional customer experience as well as delivering value for the shareholder and maintaining high standards of business conduct.

The company views the interactions with these stakeholders through the lens of our DP DHL corporate strategy. The company is fully engaged with the DP DHL group strategy 2025 'Delivering excellence in a digital world', which focuses on strengthening what we do best; our core businesses. It provides a framework for accelerating, especially digital, opportunities to enhance our customer services and continuously improve our processes. Strategy 2025 retains the following stated aims for the business to be:

The Provider of choice

- Focusing on excellent execution and standard operating procedures is at the core of our operating systems. This is embodied in our First Choice methodology.
- We listen to the voice of our customers by using the Net Promoter Approach and conducting Customer satisfaction surveys regularly.
- With our GoGreen programme, we strive for net zero emissions logistics for the group by 2050 (Mission 2050).

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT - continued

The Employer of choice

- With our Certified program we have created a team of Certified experts and a best-in-class culture. We will increase the focus on Certified modules for management and for supervisors.
- We focus on feedback in both directions as a key tool to drive personal development.
- With our GoHelp and GoTeach programmes, we are committed to social responsibility towards the societies we operate in. The GoHelp programme helps people in need following natural disasters. Since 2005 the group has joined forces with the United Nations to run a disaster management program. The GoTeach programme aims to enhance the employability of young people, regardless of their origins, socioeconomic background or position.
- We share a joint management approach expressed in our Leadership Attributes. We train and assess our management in these attributes.

The company has no employees and employee services are provided by DHL Services Limited, a fellow group company. Further disclosures are included within the strategic report of DHL Services Limited regarding those employees.

The Investment of choice

- We are constantly looking at generating more value for all stakeholders by building new capabilities/skills and through the use of technology, automation, and data analytics.
- We drive our business in a responsible and ethical way. We will enhance policies, processes, training, and communication measures to embed compliance further in daily business life while especially focusing on suppliers and business partners.

Suppliers

The company works with a number of key suppliers, primarily providers of property, equipment and agency staff. The relationship with these suppliers is managed via a number of specialised centralised procurement teams. The company adheres to the requirements of the Reporting on Payment Practices and Performance Regulations 2017 and therefore publishes figures relating to this requirement on a twice yearly basis.

Community

Today, corporate sustainability means more than 'good corporate citizenship'. It encompasses the entirety of a business, from the sustainability of the business model through 'Environmental, Social and Governance' (ESG) performance. Making progress in those areas is just as important as delivering our financial targets, because they strengthen the resilience of our company's core. This is demonstrated by placing our Living responsibility approach at the centre of our strategy. This includes the GoTeach, GoGreen and GoHelp initiatives.

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT – continued
Community – continued
The company makes donations each year to the DHL Foundation and to various national and local charities. The DHL UK Foundation is a registered charity that helps disadvantaged children and young people aged 5 years to 25 years from across the UK. Their activities are focussed on helping these young people to get the most out of their education and supporting them into employment.

The other charitable donations are usually linked to nominated charities of our customers or related to local charities near to the operating sites of the company.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk categories and specific risks
The risks set out in the following paragraphs are those which we presently consider to have a significant, or potentially negative, impact on our earnings, financial position and assets and liabilities. They are not necessarily the only risks to which the company is exposed. Our business activities may also be adversely affected by additional factors of which we are currently unaware or which we do not yet consider to be material.

Risks arising from corporate strategy and economic conditions
The company provides customers in a variety of industries, including the retail and automotive sectors, with solutions along the entire logistics chain. Our success is linked closely to our customers' business trends. Since we offer our customers a widely diversified range of products in different sectors, the incumbent risks are balanced. As the company predominantly serves customers in the United Kingdom, the performance will be linked to the UK economy. The future success of the company also depends on its ability to continuously improve the existing business and to grow activity in the most important market segments and customer solutions.

Risks arising from Brexit
Following the end of the transition period on 31 December 2020, the United Kingdom entered into a new trade agreement with the European Union with effect from 1 January 2021. The directors continue to monitor the impact on the business and will work proactively to resolve any issues as soon as they arise. Measures that may be required as a consequence of such shall be managed as part of our overall, standard risk planning.

COVID-19
DHL Supply Chain Limited continues to monitor closely the Coronavirus (COVID-19) situation and will adopt measures to support its workforce, customers and wider industry should there be any further developments with the virus. We will continue to work with global governments and healthcare officials, and those making difficult but necessary decisions around the world to deal with the impact of any future uncertainty relating to the virus.

PRINCIPAL RISKS AND UNCERTAINTIES - continued

COVID-19 – continued

The health and safety of our colleagues is of utmost importance and we are very proud of how our dedicated team has responded to the crisis, working within government guidelines, as we remain committed to supporting new and existing programs for our customers. We maintain constant communication with our customers and suppliers, and will continue to do our best to minimise any future disruption of the delivery of our products and services resulting from any further adverse impact from the virus.

The Executive Team, reporting in to the Board of Directors, have utilised a global reporting tool to monitor and report the impact of COVID-19. The Executive team have worked alongside our suppliers, customers and employees, to take immediate actions and plan for potential scenarios, to ensure the continuity and success of the business.

Performance and profitability risks

The loss of major customers due to aggressive competition or, for instance, due to insolvency is a constant risk facing logistics service providers. Whilst the risk can be limited by far sighted management and the implementation of strong credit control policies, it cannot be entirely neutralised. New customers are checked for credit worthiness and limits established for each customer which are reviewed regularly.

Risks arising from redundancies due to customer insolvency

Under the terms of our customer contracts, in the event of key customers going into administration, the risk associated with redeploying or termination of the employees associated with that contract is borne by the company. In the current economic environment, the risk associated with this is actively managed by the company.

Long-term contracts

The company enters into long term contracts with many of its customers. This also entails entering into contracts with third parties to provide services or property in relation to services to our customers. The company aims, as far as possible, for these third party services to be aligned on a back to back basis with the customer contract, however this may not always be achievable. Consequently in certain circumstances the company may have a residual exposure once the customer contract is terminated, which could impact operating margins and, in the case of property commitments, result in onerous lease provisions.

Self-insurance risks

The company maintains insurance policies with significant excesses below which claims are borne by the company. Full provisions are made for the estimated cost of claims or losses arising from past events falling outside the limits of these policies. The provisions held for insurance claims are significant and calculated based on advice provided by the company's external insurance advisors. The movement on these provisions can have a significant impact on the results of the company.

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Information technology risks
The company is protected against unauthorised access to data and data manipulation through various measures relating to our employees, organisation, application systems and networks. We use 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.

Business continuity plans
The company takes preventive measures to guard against disruptions or malfunctions in our operational processes. Should disruptions nonetheless occur, contingency plans will come into effect to minimise the consequences.

ON BEHALF OF THE BOARD:

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D Peacock - Director
Date: 23 June 2022

Report of the Directors
for the Year Ended 31 December 2021

The directors present their report with the audited financial statements of the company for the year ended 31 December 2021.

FUTURE DEVELOPMENTS

The external commercial environment is expected to remain competitive in 2022 as customer arrangements continue to be renewed.

The company's strategy will continue to be that of offering customers innovative and value added solutions, ensuring that it continues to maintain both its competitive position in the market place while at the same time delivering real value to its customers.

GOING CONCERN

The directors have carried out a going concern assessment using forecasts which incorporate scenarios, including the potential further impact of COVID-19 on the company across a period to the end of 2023. These forecasts include both a base case and a severe but plausible downside scenario. Across the forecast period, the company is forecast in the base case scenario to be profitable and cash generative in aggregate. However, the phasing of profitability and cash generation across the period means that the liquidity position of the company is subject to seasonal variations.

The company participates in the Deutsche Post DHL Group's centralised treasury arrangements and so shares banking arrangements with its parent and other group undertakings. The company can draw on these arrangements for funds should the need to access a short term working capital facility arise. The parent company has confirmed that these short-term facilities will be available throughout the going concern period up to the pre-agreed limit. The forecasts described above demonstrated that the company can continue to operate within the limit of the facilities available throughout the forecast period under both the base case and downside scenarios. Consequently, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DONATIONS

The DHL UK Foundation funds activities and programmes which help children and young people achieve their full potential. The Foundation is an independent charity, founded in 1988, and encourages all DHL employees to get involved in the communities in which they live and work, through fundraising and volunteering. In 2021 a donation of £275,000 (2020: £253,000) was made by the company to the DHL UK Foundation. In addition, donations of £31,000 (2020: £28,000) were made to various national and local charities. The donations are usually linked to nominated charities of our customers or related to local charities near to the operating sites of the company.

FINANCIAL RISK MANAGEMENT
The company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate cash flow risk. The company does not use derivative financial instruments.

The policies approved by the Board of Directors, which are consistent with Deutsche Post DHL Group financial risk policies, are implemented by the company's finance department.

Price risk
The company is exposed to commodity price risk as a result of its operations, principally fuel price exposures. The company has a policy of ensuring that volatility in fuel prices (to manage the exposure to commodity price risk) is underwritten where possible in customer tariffs and arrangements. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterpart is subject to a limit, which is reassessed monthly. Credit checks are carried out on a regular basis.

Liquidity risk
The company's debt profile is largely short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions. A substantial part of the debt finance is provided by a fellow subsidiary undertaking.

Interest rate cash flow risk
The company has interest bearing liabilities. The company has a policy of generally borrowing from fellow subsidiary undertakings at market rates. The directors will review the appropriateness of this policy should the company's operations change significantly in size or nature, or the Deutsche Post DHL Group policies for financing group undertakings change.

DIVIDENDS
The total distribution of dividends for the year ended 31 December 2021 was £nil.

The total distribution of dividends for the year ended 31 December 2020 was £nil.

The directors recommend that no final dividend be paid.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

L Bridges
M Bristow
J Hartshorne

Other changes in directors holding office are as follows:

G Murdoch – appointed 23 April 2021
R Taylor – appointed 1 June 2021
S Conday – appointed 15 October 2021
T Kühl – resigned 30 September 2021
M Würker – resigned 1 December 2021
J Nava – resigned 31 December 2021
P Roe – resigned 31 December 2021
A Hislop – appointed 1 January 2022
S Resnick – appointed 1 January 2022
A Weyer – appointed 1 January 2022
I Clough – resigned 28 February 2022
D Peacock – appointed 1 April 2022
D Pierpoint – resigned 1 April 2022

DIRECTORS' INDEMNITIES

The company maintains liability insurance for its directors and officers. The company also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force.

ENGAGEMENT WITH STAKEHOLDERS

Further information regarding how the company has engaged with customers and suppliers can be found in the Strategic Report within the s172 Statement and Stakeholder Engagement section. Additional disclosures regarding the engagement of employees who provide services to the company can be found in the strategic report section of the financial statement of DHL Services Limited.

SLAVERY ACT

The company is a member of the Deutsche Post DHL Group. A statement pursuant to Section 54(1) of the Modern Slavery Act 2015 can be found on the group's UK website using the following link https://www.dhl.com/gb-en/home/about-us/sustainability/modern-slavery-statement.html

DHL SUPPLY CHAIN LIMITED (REGISTERED NUMBER: 00528867)

Report of the Directors - continued
for the Year Ended 31 December 2021

STREAMLINED ENERGY AND CARBON REPORTING (SECR) DISCLOSURE

Under changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('SI 2018/1155'); large unquoted companies are obliged to report their UK energy use and associated greenhouse gas ('GHG') emissions in their annual reports.

As part of the DPDHL group, the company is committed to the group-wide environmental protection program, 'GoGreen'. In 2017, the Deutsche Post DP DHL group published a climate protection target to reduce all logistics-related emissions to net zero by the year 2050. In March 2021, the Deutsche Post DP DHL group published an accelerated roadmap; aligning targets with the Paris Commitment. By 2030 the Deutsche Post DP DHL group we will:

- Ensure that 60% of our delivery vehicles for the last mile are electrically powered and at least one-third of fuel requirements in aviation and line haul are covered by sustainable fuels;
- Invest €7 billion globally in Clean Operations to reduce our emissions from what would be 46 million tonnes in 2030 to under 29 million tonnes in that year; (total emissions in 2020 were 33 million tonnes CO_2).
- Commit as part of the Science Based Target initiative (SBTi) to reduce our greenhouse gas emissions by 2030 in line with the Paris Climate Agreement.

As a logistics company, the impact of our business activity on the environment is mainly in the form of greenhouse gas emissions arising from the consumption of energy and fuels. To minimize this impact, we have set ourselves ambitious environmental targets and embedded environmental and climate protection in our Environmental and Energy Policy, which is binding for all employees and subsidiaries. Innovative policies developed as part of GoGreen include solutions to reduce emissions and improve fuel efficiency.

We continuously invest in improving the efficiency of our fleets and buildings; this has the added effect of reducing greenhouse gas emissions and lowering fuel and energy costs.

As part of the Deutsche Post DHL Group, the company has been at the forefront of many green services, technologies and initiatives. An effective reduction approach requires tailored alternative technologies and solutions spread across the entire supply chain. New technologies in the area of lightweight vehicle design, speed limiting systems, low-rolling resistance tires along with the modernization of our fleet are among the methods used to reduce fuel consumption in our conventional-fuelled vehicles. In addition to this, we rely more and more on alternative drive systems and fuels, including electric and natural gas powered vehicles for short distances, and sustainably produced, advanced second-generation biofuels for long-haul transportation.

STREAMLINED ENERGY AND CARBON REPORTING (SECR) DISCLOSURE - continued

Furthermore, as part of our recently launched DPDHL Sustainability Roadmap, since 2021, we are committed to implement carbon neutral design for all new (owned) buildings, with the remaining emissions to be neutralized. As part of the Group's GoGreen programme, we have developed concepts designed to improve emissions and fuel efficiency and intensify the use of alternative energy sources. This includes the use of renewable energy sources for providing electricity to our warehouses, and the installation of energy efficient lighting and heating systems as part of our 'burn less' approach.

Consequently, we are reducing our dependence on fossil fuels and promoting the use of alternative energy sources in both our transport fleets and buildings.

Our internal management information system tracks both carbon emissions and carbon efficiency. An important prerequisite for developing effective carbon efficiency measures is transparency with regard to the type and amount of greenhouse gas emissions. We calculate our greenhouse gas emissions based on widely-accepted international standards including the Greenhouse Gas Protocol (GHG Protocol) standards, the Corporate Accounting and Reporting Standard as well as the Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the Global Logistics Emissions Council (GLEC) Framework. Our data is also collected and processed in accordance with the requirements of EN 16258 and ISO 14064 standards.

The table below highlights the metrics used to measure our performance:

	Unit	**2021**	**2020**
Emissions from activities for which the company owns or controls including the combustion of fuel and operation of activities. Direct GHG emissions (Scope 1).	tCO_2e	**216,270**	207,729
Emissions from the purchase of electricity, heat, steam and cooling purchased for our use. Indirect GHG emissions (Scope 2).	tCO_2e	**403**	605
Total GHG emissions	tCO_2e	**216,673**	208,334
Energy consumption (Scope 1 & 2)	kWh	**931,047,246**	886,251,047
Indirect emissions from logistics related activities. Indirect GHG emissions (Scope 3)	tCO_2e	**364,174**	347,052
Energy consumption (Scope 3)	kWh	**982,187,991**	981,618,828
Intensity ratio – total GHG emissions per square metre of warehouse space	$kgCO_2e/m^2$	**4.64**	4.81
Intensity ratio – total GHG emissions (including scope 3) per £ revenue for transport	$kgCO_2e$ /£	**0.42**	0.47

STREAMLINED ENERGY AND CARBON REPORTING (SECR) DISCLOSURE - continued
The energy consumption principally relates to renewable electricity, gas and fuel for our warehousing and transport activities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 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 102, 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 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.

The directors 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.

DIRECTORS' CONFIRMATIONS
In the case of each director in office at the date the Report of the Directors 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.

DHL SUPPLY CHAIN LIMITED (REGISTERED NUMBER: 00528867)

Report of the Directors – continued
for the Year Ended 31 December 2021

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:

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D Peacock - Director

Date: 23 June 2022

Independent auditors' report to the members of DHL Supply Chain Limited

Report on the audit of the financial statements

Opinion

In our opinion, DHL Supply Chain 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent auditors' report to the members of DHL Supply Chain Limited - continued

Reporting on other information

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

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

With respect to the Strategic report and Report of the Directors, 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 Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors 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 Report of the Directors.

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.

Independent auditors' report to the members of DHL Supply Chain Limited - continued

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

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

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 failure to comply with health and safety 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 and taxation regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiries of management, walkthrough procedures to understand and evaluate the controls designed to prevent and detect irregularities and fraud, and consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- challenging assumptions made by management in their accounting estimates, for example in relation to dilapidations, onerous lease and self insurance provisions, impairment of assets, investments and debtors and useful economic lives of assets;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by unusual users and journal entries with specific defined descriptions;
- review of Board minutes and legal expenses to identify any inconsistencies with other information provided by management; and
- incorporating elements of unpredictability.

Independent auditors' report to the members of DHL Supply Chain Limited - continued

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
24 June 2022

DHL SUPPLY CHAIN LIMITED (REGISTERED NUMBER: 00528867)

Statement of Comprehensive Income
for the Year Ended 31 December 2021

	Note	2021 £'000	2020 £'000
TURNOVER	4	**2,756,977**	2,559,748
Other operating income		**37,954**	28,641
Raw materials and consumables		**(175,833)**	(173,547)
Depreciation and other amounts written off tangible and intangible fixed assets		**(30,184)**	(33,976)
Other operating charges		**(2,558,071)**	(2,394,050)
Income from other fixed asset investments		**-**	4,050
OPERATING PROFIT/(LOSS)	7	**30,843**	(9,134)
Other interest receivable and similar income	8	**3,930**	3,763
Interest payable and similar charges	9	**(848)**	(1,966)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		**33,925**	(7,337)
Tax on profit/(loss) on ordinary activities	10	**(80)**	(94)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**33,845**	(7,431)

There are no items of other comprehensive income other than the profit/(loss) for the financial year (2020: £nil).

CONTINUING OPERATIONS
All results relate to continuing operations.

The notes on pages 23 to 55 form part of these financial statements.

DHL SUPPLY CHAIN LIMITED (REGISTERED NUMBER: 00528867)

Balance Sheet
as at 31 December 2021

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	11	**11,777**	12,673
Tangible assets	12	**167,089**	88,305
Investments	13	**13,083**	13,083
		191,949	114,061
CURRENT ASSETS			
Inventories	14	**28,313**	15,971
Debtors	15	**912,281**	915,283
Cash at bank and in hand		-	-
		940,594	931,254
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	**(582,688)**	(513,360)
NET CURRENT ASSETS		**357,906**	417,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**549,855**	531,955
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	**(11,316)**	(7,757)
PROVISIONS FOR LIABILITIES	19	**(110,602)**	(130,106)
NET ASSETS		**427,937**	394,092
CAPITAL AND RESERVES			
Called up share capital	20	**55,000**	55,000
Revaluation reserve		-	300
Retained earnings		**372,937**	338,792
EQUITY		**427,937**	394,092

The financial statements on pages 20 to 55 were approved by the Board of Directors on 23 June 2022 and signed on its behalf by:

....

R Taylor - Director

The notes on pages 23 to 55 form part of these financial statements.

DHL SUPPLY CHAIN LIMITED (REGISTERED NUMBER: 00528867)

Statement of Changes in Equity
for the Year Ended 31 December 2021

	Note	Called up share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020		55,000	250	346,273	**401,523**
Changes in equity					
Loss for the financial year		-	-	(7,431)	**(7,431)**
Transfer to revaluation reserve		-	50	(50)	-
Balance at 31 December 2020		55,000	300	338,792	**394,092**
Changes in equity					
Profit for the financial year		-	-	33,845	**33,845**
Transfer from revaluation reserve		-	(300)	300	-
Balance at 31 December 2021		**55,000**	**-**	**372,937**	**427,937**

The revaluation reserve represents accumulated gains on the revaluation of investment properties to fair value.

The transfer from revaluation reserve in the year of £300,000 relates to the disposal of the Investment property at fair value during the year. The 2020 transfer to revaluation reserve related to an increase in fair value of the Investment property in 2020.

Retained earnings represents accumulated comprehensive income for the year and prior years.

The notes on pages 23 to 55 form part of these financial statements.

1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

General information

DHL Supply Chain Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Solstice House, 251 Midsummer Boulevard, Milton Keynes, Buckinghamshire, MK9 1EA.

Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and in accordance with the Companies Act 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparing the financial statements

Going concern

The financial statements have been prepared on the going concern basis, under the historical cost convention with the exception of the valuation of investment properties which are held at fair value with gains and losses taken through the Statement of Comprehensive Income.

The directors have carried out a going concern assessment using forecasts which incorporate scenarios, including the potential further impact of COVID-19 on the company across a period to the end of 2023. These forecasts include both a base case and a severe but plausible downside scenario. Across the forecast period, the company is forecast in the base case scenario to be profitable and cash generative in aggregate. However, the phasing of profitability and cash generation across the period means that the liquidity position of the company is subject to seasonal variations.

The company participates in the Deutsche Post DHL Group's centralised treasury arrangements and so shares banking arrangements with its parent and other group undertakings. The company can draw on these arrangements for funds should the need to access a short term working capital facility arise. The parent company has confirmed that these short-term facilities will be available throughout the going concern period up to the pre-agreed limit. The forecasts described above demonstrated that the company can continue to operate within the limit of the facilities available throughout the forecast period under both the base case and downside scenarios. Consequently, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparing the financial statements - continued

The principal accounting policies adopted by the company are set out below and are consistent with those of the previous year.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The company is a wholly-owned subsidiary of Deutsche Post AG, a company incorporated in Germany, and is included in the consolidated financial statements of Deutsche Post AG which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 401 of the Companies Act 2006. These financial statements are the company's separate financial statements.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1.12:

- the requirements of Section 7 statement of Cash Flows and paragraph 3.17(d) of FRS 102
- the requirements of Section 33.7 regarding the disclosure of key management personnel compensation in total
- the requirements of Section 11 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c)

The company has also taken advantage of the exemption granted under Section 33.1A of FRS 102 from the disclosure of related party transactions with other wholly owned members of the group.

The company has also taken advantage of Section 33.11 of FRS 102 with regard to the disclosure requirements of related parties transactions with other companies in which the German government has control or significant influence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Turnover is recognised based on the fair value of the right to consideration for the sale of logistics related services and goods to third parties. For the sale of services, turnover is recognised when the stage of completion of the service and the costs incurred can be reliably measured. Turnover for services is therefore recognised based on an assessment of costs incurred in undertaking the services chargeable to customers at contracted rates for activities completed by the balance sheet date. Turnover excludes value added tax and equivalent taxes, duty and other disbursements made on behalf of customers.

Certain contractual arrangements require costs to be incurred in advance of the start of activity. Where the contract provides for the recovery of these costs from the customer over a period extending beyond the balance sheet date then the amount recoverable is recognised as revenue and included within Other Debtors. Any amount recoverable after more than one year is included within Other Debtors - amounts falling due after more than one year.

Turnover includes income for services provided to fellow group undertakings relating to the provision of IT services, property and assets used in the operations of those undertakings. Revenue is recognised on these activities on an accruals basis.

Logistics contracts

Under certain logistics contracts, the company provides procurement services to its customers, which require the company to purchase goods from outside parties and sell them to those customers.

The company assesses the risks and rewards related to the procurement services for each contract to determine whether it is acting in the capacity of agent or principal.

Where the company is acting as agent for the customer in the procurement of goods, the sale and purchase of such goods are excluded from turnover and operating charges (see note 7). The company receives income for procuring, handling and storing the goods which is included in turnover. Debtors and creditors relating to agency transactions are included in the balance sheet.

Where the company is acting as principal in the procurement of goods, turnover includes the gross amount receivable in respect of its performance under the contract with the customer including the value of goods sold to the customer. The related stock, debtors and creditors are included in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets

Intangible assets include acquired computer software licences that are 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 into use the specific software. These costs are amortised on a straight-line basis over their estimated useful economic lives, up to a maximum of 5 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 these will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These represent the direct costs of software developers' time spent on relevant projects. These costs are amortised on a straight-line basis over their estimated useful economic lives, up to a maximum of 10 years, which are reviewed annually.

Tangible assets

Freehold properties held by the company to generate lease rentals or capital appreciation are disclosed as investment properties within tangible fixed assets. Investment properties are revalued annually by a qualified Chartered Surveyor on an existing use, open market basis. Any gain or loss on the revaluation is taken to the Statement of Comprehensive Income, but held in a separate non-distributable reserve within equity. On the disposal of investment property the amount of the revaluation reserve realised on disposal is transferred from the revaluation reserve to retained earnings.

Fixed assets, except investment properties, are stated at cost less depreciation and less any impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation of tangible fixed assets (excluding investment properties, short, freehold and leasehold land and assets in the course of construction, which are not depreciated) is charged evenly over their estimated useful lives. The estimated useful lives applied to the major asset classes are as follows:

Freehold property	35 to 50 years
Short leasehold property	Over the life of the lease
Plant and machinery	5 to 10 years

Assets that are not expected to be held for the whole of their useful lives are written down to estimated residual values at disposal.

The carrying values of tangible fixed assets are reviewed for impairment if circumstances indicate that they may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Inventories

Inventories are valued at the lower of cost and estimated selling price less costs to sell, after making due allowance for obsolete and slow moving items. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. Cost is determined on the first-in, first-out (FIFO) method.

Under certain logistics arrangements, the company takes title to goods delivered into the network by suppliers on instructions from customers which are then delivered on at cost.

Deposits into the network and deliveries into the customer estates are settled by the company directly with suppliers. The risks and rewards of ownership are underwritten by the customers and do not pass to the company.

The company receives income for handling and storing the goods but makes no margin on the arrangements. The sale and purchase of the goods are excluded from turnover and operating charges. Inventories, debtors and creditors relating to such transactions are included in the balance sheet. Inventories are valued at latest invoiced cost.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. The company participates in the Deutsche Post DHL Group's centralised treasury arrangements and so shares banking arrangements with its parent and other group undertakings. This includes a cash pool arrangement where external bank accounts in the name of the company are swept on a daily basis into bank accounts held by the Group. Any balances due under this arrangement are recognised as intercompany receivables.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that resulted in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet 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 and deferred tax liabilities, but as such liabilities are indemnified by Exel Limited, an indemnification asset for the amount due from Exel Limited is recognised in the balance sheet until the amount is settled 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.

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.

Foreign currencies

All transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling on the balance sheet date. Exchange differences arising on foreign currency transactions are included in the Statement of Comprehensive Income.

The company's functional and presentation currency is the pound sterling.

Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fixed asset investments

Fixed asset investments include investments in subsidiary undertakings, interests held in fellow group undertakings and investments in jointly controlled entities.

Fixed asset investments are included in the balance sheet at cost less provision for any impairment in value. Investment carrying values are reviewed for impairment at the balance sheet date and periodically when there has been an indication of potential impairment.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
In particular:

(i) Uninsured losses

The company maintains insurance policies with significant excesses, below which claims are borne by the company. Full provision is made for the estimated costs of claims or losses arising from past events falling outside the limits of these policies. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk and time to settlement of the obligation.

(ii) Dilapidations

For leasehold properties the provision for dilapidations is recognised on a lease by lease basis, based on the best estimate of the most likely committed cash outflow.

(iii) Onerous leases

Periodic tests are performed on Cash Generating Units (CGUs) to assess whether a triggering event has taken place which would require a provision against leased assets used within the CGU. Where applicable the net of leasing costs and potential sublease income for the remaining lease term is provided for at appropriate discount rates.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the Statement of Comprehensive Income, to reduce the lease expense, on a straight-line basis over the period of the lease.

Pensions

The company participates in a group wide pension arrangement including both defined benefit and contribution schemes. The company has no employees and employee services are provided by DHL Services Limited, a fellow group company, who is also deemed to be the principal participating entity in respect to the pension schemes. The costs of employee related services including pension charges are recharged to the company on an accruals basis by DHL Services Limited and accounted for as the services are incurred. As there is no formal policy of allocating either the pension obligations or charges between group companies, the related pension assets and obligations are accounted for by DHL Services Limited. The company does not maintain any other post-retirement benefits.

Amounts owed by group undertakings

The company provides loan financing to members of the group. The loans are advanced on commercial terms, taking into account the borrower's status and financial position. The company periodically assesses the ability of the borrower to repay the loans, and provisions are made where necessary and recognised in financing costs. If the borrower's financial position subsequently improves or the loan is repaid then any excess provision is released and recognised in financing income. The loans are repayable on demand and for the purposes of FRS 102 are regarded as basic financial instruments.

Called up share capital

Ordinary shares are classified as equity.

Distributions to equity holders

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contingencies

Contingent liabilities arise as a result of past events when
(i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or;
(ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control.

Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial Instruments

Basic financial assets, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method, and are assessed for objective evidence of impairment. 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. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

The company has arrangements whereby certain customers can take advantage of extended credit terms utilising financing provided by third party banks. The trade receivable is derecognised by the company when the non-recourse funding is received from the bank.

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, 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 receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

Business combinations involving the transfer of business activity from one group company to another are accounted for using the merger accounting methodology as set out in Section 19 of FRS 102. Transfers at the entity level are made at book value with no requirement to carry out a fair value exercise.

3. ACCOUNTING JUDGEMENTS AND 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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following estimates and assumptions are not considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Significant accounting estimates in applying the entity's accounting policies

Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of tangible fixed assets and note 2 for the useful economic lives for each class of assets.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the credit rating of the debtor, the ageing profile, historical experience and objective evidence of impairment. Debtors receivable from group undertakings are assessed on an annual basis for impairment following a review of the net assets of those group companies. See note 15 for the net carrying amount of the debtors and note 7 for the charge to the Statement of Comprehensive Income.

Impairment of investments

The company holds investments in fellow group undertakings which are reviewed for impairment on a regular basis. The carrying value of the investments is compared to the net asset value and impairment recognised in the Statement of Comprehensive Income where appropriate. See note 13 for the net carrying amount of the investments and the associated impairment provision.

3. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY – continued

Significant accounting estimates in applying the entity's accounting policies - continued

Insurance provisions

The company maintains insurance policies with significant excesses below which claims are borne by the company. Full provisions are made for the estimated cost of claims or losses arising from past events falling outside the limits of these policies. The provisions held for insurance claims are significant and calculated based on advice provided by the company's external insurance advisors. The movement on these provisions can have a significant impact on the results of the company. See note 19 for the carrying amount of the uninsured losses provisions.

Dilapidations provisions

The company maintains provisions for dilapidations on leased properties. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk and time to settlement of the obligation. The provisions are re-assessed on an annual basis which may result in a significant impact on the results of the company, where there is a change in the assumptions regarding the state of the property, and the work required to fulfil our obligation to the landlord to restore the property to an agreed condition. See note 19 for the carrying amount of the dilapidations provisions.

Critical accounting judgements in applying the entity's accounting policies

Impairment of fixed assets

At each balance sheet date fixed assets are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset. The assumptions used in the calculation of any impairment, such as establishing the recoverable amount, are considered to be a critical accounting judgement.

Onerous lease provisions

At each balance sheet date leases are assessed to determine whether there is an indication that an onerous lease provision may be required. If there is such an indication the net of leasing costs and potential sublease income to the end of the lease term are taken into account. The assumptions used in the calculation of any provision, such as establishing any alternative use or potential sublet income, are considered to be a critical accounting judgement.

3. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY – continued

Critical accounting judgements in applying the entity's accounting policies - continued

Pensions

The company participates in a group wide pension arrangement including both defined benefit and contribution schemes. As there is no formal policy of allocating either the pension obligations or charges between group companies, the directors have adopted the policy to account for the schemes as defined contribution schemes in this company. The related pension assets and obligations are accounted for by DHL Services Limited. See note 21 for further details.

Taxation

The company has entered into an agreement with Exel Limited, a fellow group undertaking, under which the company's UK taxation liabilities are settled by Exel Limited and similarly the benefit of amounts recoverable from tax authorities are received by this fellow group undertaking. As a result, the company has not recognised either current or deferred tax liabilities/assets due to/recoverable from the UK tax authorities. All such assets and liabilities are recognised in the financial statements of Exel Limited.

4. TURNOVER

Turnover relates to the company's principal activity, which the directors consider constitutes a single class of business. The geographical origin of turnover was the United Kingdom.

5. STAFF COSTS

There were no staff costs for the year ended 31 December 2021 nor for the year ended 31 December 2020.

As in the prior year, a fellow group company, DHL Services Limited, has provided staff services to the company throughout the year. These costs are charged as part of a management fee which is included within other operating charges. It is not possible to ascertain separately the element of the management charge that relates to staff costs.

The disclosure of the wages and salaries costs of those employees that have been recharged to this company is included within the notes to the financial statements of DHL Services Limited.

6. DIRECTORS' EMOLUMENTS

Directors' emoluments

	2021 £'000	2020 £'000
Aggregate emoluments	**2,300**	2,767
Company contributions paid to money purchase pension schemes	**41**	66

Retirement benefits are accruing to four directors (2020: two directors) under defined benefit schemes, and to two directors (2020: two directors) under a money purchase scheme. Shares in the ultimate parent company, Deutsche Post AG, are accruing to nine directors (2020: eight directors) under long-term incentive plans. eight directors (2020: seven directors) received shares in the ultimate parent company, Deutsche Post AG, during the year.

Highest paid director

	2021 £'000	2020 £'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**421**	476
Company contributions paid to money purchase pension schemes	**37**	37

The highest paid director did not exercise (2020: did not exercise) share options during the year but is accruing benefits under a long term incentive plan. The highest paid director had 8,470 shares (2020: 5,574 shares) in the ultimate parent company, Deutsche Post AG, receivable under long-term incentive plans.

The emoluments of T Kühl and J Nava are included in the aggregate of directors' emoluments disclosed in the financial statements of Exel Limited. The emoluments of the remaining directors are shown above. The emoluments of G Murdoch are included above from August 2021 onwards, reflecting when the Tradeteam activity transferred into DHL Supply Chain Limited.

Directors' emoluments are paid by fellow group companies, and recharged to the company.

7. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting):

	2021 £'000	2020 £'000
Assigned employee costs	**1,310,903**	1,238,829
Operating lease rentals	**195,781**	186,274
Depreciation - owned assets	**27,862**	21,820
Computer software amortisation	**2,322**	1,618
Impairment – owned assets	**-**	10,538
Subcontractors' costs	**490,554**	366,136
Foreign exchange gain	**(8,745)**	(14,200)
Foreign exchange loss	**7,970**	14,975
Gain on fair value adjustments	**-**	(50)
(Gain)/loss on sale of tangible assets	**(67)**	316
Impairment (credit)/charge on trade debtors	**(1,317)**	2,290
Impairment charge on amounts owed by group undertakings	**25**	9
Amounts charged to income from adjustments to Other provisions (note 19)	**5,235**	39,130
Amounts charged to income relating to insurance provisions (note 19)	**31,852**	31,934
Amounts charged to income relating to dilapidations provisions (note 19)	**6,018**	7,173
Amounts credited to income from adjustments to dilapidations provisions (note 19)	**(9,606)**	-
Amounts credited to income from adjustments to other provisions (note 19)	**(11,905)**	-
Amounts credited to income from adjustments to insurance provisions (note 19)	**(17,202)**	(19,534)

The company's turnover and operating costs do not include £213,566,000 (2020: £151,713,000) relating to contracts where the company acts as an agent, as referred to in the Logistics contracts accounting policy.

The fee payable for the audit was £675,000 (2020: £640,000). The fee payable for the audit of Deutsche Post DHL consolidation returns for the company and its associates was £560,000 (2020: £400,000). There have been no non-audit services in the year (2020: £nil).

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Interest receivable from group undertakings	**2,675**	3,637
Discount rate adjustment (see note 19)	**1,255**	126
	3,930	3,763

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £'000	2020 £'000
Interest payable to group undertakings	**96**	116
Unwind of discount on provisions (see note 19)	**125**	822
Other interest payable	**627**	1,003
Discount rate adjustment (see note 19)	**-**	25
	848	1,966

Notes to the Financial Statements - continued
for the Year Ended 31 December 2021

10. 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 debtors.

	2021	2020
	£'000	£'000
Current tax		
RDEC	**13**	-
Foreign and other taxes	**67**	94
Total current tax	**80**	94
Deferred tax		
Origination and reversal of timing differences	**1,616**	(2,961)
Impact of changes in tax rates	**769**	(297)
Adjustments in respect of prior years	**1,246**	794
Movement on UK deferred tax not recognised	**(3,631)**	2,464
Total deferred tax	**-**	-
Total tax on profit/(loss) on ordinary activities	**80**	94

10. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES - continued

Reconciliation of tax charge

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

	2021	2020
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	**33,925**	(7,337)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**6,446**	(1,394)
Effects of:		
Expenses not allowable for UK tax	**352**	467
Income not subject to UK tax	**(2,048)**	(1,976)
Transfer pricing adjustments	**-**	(53)
Excess of foreign tax over double tax relief	**67**	94
Impact of changes in tax rates	**769**	(297)
Impact of trade and losses transferred in	**(5,228)**	-
Group relief surrendered to other group companies	**2,107**	-
Research and development expenditure credit	**-**	(5)
Adjustments in respect of prior years	**1,246**	794
Movement on UK deferred tax not recognised	**(3,631)**	2,464
Total tax on profit/(loss) on ordinary activities	**80**	94

The standard rate of corporation tax is 19% (2020:19%).

10. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES - continued

Deferred tax

A summary of the company's deferred tax asset is as follows:

	2021 Unrecognised £'000	2020 Unrecognised £'000
Decelerated capital allowances	**471**	6,505
Revaluation of tangible assets	**-**	48
Other timing differences	**307**	501
Rolled over/ held over gains	**(3,376)**	(2,566)
Trading and other losses	**4,492**	1,292
Net deferred tax asset	**1,894**	5,780

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

The company had a net deferred tax asset at 31 December 2021 of £1,894,000 (2020: £5,780,000) which has not been recognised in the financial statements because the company will not benefit from the reversal of deferred tax assets as a result of an agreement entered into with Exel Limited.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. 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.

11. INTANGIBLE ASSETS

	Computer Software £'000
COST	
At 1 January 2021	18,806
Additions	1,426
At 31 December 2021	20,232
ACCUMULATED AMORTISATION	
At 1 January 2021	6,133
Amortisation for year	2,322
At 31 December 2021	8,455
NET BOOK VALUE	
At 31 December 2021	11,777
At 31 December 2020	12,673

Computer software is amortised over its useful life up to a maximum of 10 years.

12. TANGIBLE ASSETS

	Investment property £'000	Freehold land and buildings £'000	Short leasehold property £'000	Plant and machinery £'000	Total £'000
COST OR VALUATION					
At 1 January 2021	350	-	34,974	198,622	**233,946**
Additions	-	-	44,071	64,928	**108,999**
Disposals	(350)	-	(1,985)	(24,080)	**(26,415)**
Transfer from group undertakings	-	68	-	45	**113**
Reclassification	-	-	108	(108)	**-**
At 31 December 2021	-	68	77,168	239,407	**316,643**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	-	-	18,057	127,584	**145,641**
Charge for year	-	1	12,413	15,448	**27,862**
Disposals	-	-	(1,933)	(22,016)	**(23,949)**
Transfer from group undertakings	-	-	-	-	-
Reclassification	-	-	2	(2)	-
At 31 December 2021	-	1	28,539	121,014	**149,554**
NET BOOK VALUE					
At 31 December 2021	**-**	**67**	**48,629**	**118,393**	**167,089**
At 31 December 2020	350	-	16,917	71,038	88,305

Investment property included land which was held for capital appreciation. The carrying value of the land was assessed on an annual basis by a suitably qualified surveyor, with any gain or loss being recognised in the statement of total comprehensive income. The investment property was sold during the year, and the corresponding revaluation reserve was transferred to retained earnings in the statement of changes in equity.

13. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2021 and 31 December 2021	**13,083**
NET BOOK VALUE	
At 31 December 2021	**13,083**
At 31 December 2020	13,083

The following companies are the subsidiary undertakings and interests held directly or indirectly by the company. For the investments held directly by the company, unless otherwise stated, 100% of the ordinary share capital is owned, the subsidiaries operate in their country of incorporation, and have a 31 December year end:

13. INVESTMENTS - continued

Directly held investments

Company	Nature of business	Registered office address
Subsidiary undertakings		
DHL Services Limited (99.9% owned)	Provision of staff	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
DHL Supply Chain International Limited	Logistics services through a branch in Uganda	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
DSC Healthcare Trustees Limited	Dormant	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
Exel Logistics Property Limited	Holds and manages the UK investment and long leasehold properties of the DHL group	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
Exel UK Limited	Provision of transportation and distribution services to the retail industry	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
McGregor Cory Limited	Provision of storage and contract distribution	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA

13. INVESTMENTS - continued

Directly held investments - continued

Company	Nature of business	Registered office address
Subsidiary undertakings - continued		
Power Europe Operating Limited	Investment company	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
Tankfreight Limited	Dormant	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
Joint venture undertakings		
DigiHaul Limited (60% owned)	Logistics services	1&2 Carters Row, The Melon Ground, Hatfield Park, Hatfield, Hertfordshire, AL9 5NB
Health Solutions Team Limited (50% owned)	Procurement and logistics services	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA
Interests		
Fuels Transport & Logistics Limited (49% owned)	Logistics services	Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EA

13. INVESTMENTS – continued

Indirectly held investments

Company	Percentage held through direct and indirect investment	Registered office address
Power Europe (Doncaster) Limited (in liquidation)	100%	Lynton House, 7-12 Tavistock Square, London, WC1H 9LT
Power Europe Development Limited (in liquidation)	100%	Lynton House, 7-12 Tavistock Square, London, WC1H 9LT
Power Europe Development No. 3 Limited (in liquidation)	100%	Lynton House, 7-12 Tavistock Square, London, WC1H 9LT
Power Europe Limited (in liquidation)	100%	Lynton House, 7-12 Tavistock Square, London, WC1H 9LT

In the opinion of the directors, the value of the company's investments in subsidiary undertakings is not less than the amount included in the balance sheet.

The company owns 60% of the equity share capital of DigiHaul Limited, which has a carrying value of £150,000. The remaining 40% of the equity is owned by a fellow group company. The investment is carried at cost less provision for any impairment in value.

The company owns 50% of the equity share capital of Health Solutions Team Limited, a jointly controlled entity, which has a carrying value of £100,000. The investment is carried at cost less provision for any impairment in value.

14. INVENTORIES

	2021 £'000	2020 £'000
Goods held for resale	**28,313**	15,971

Goods held for resale are stated after provisions of £191,000 (2020: £265,000).

There is no significant difference between the replacement cost of goods held for resale and their carrying amounts.

The inventory balance is valued using the first-in, first-out (FIFO) method.

15. DEBTORS

	Note	2021 £'000	2020 £'000
Amounts falling due within one year:			
Trade debtors		**267,080**	287,674
Amounts owed by group undertakings		**433,293**	474,287
Amounts owed by undertakings in which the entity has a participating interest	24	**250**	610
Other debtors		**22,983**	18,413
Prepayments and accrued income		**172,822**	124,954
		896,428	905,938
Amounts falling due after more than one year:			
Other debtors		**15,853**	9,345
Aggregate amounts		**912,281**	915,283

Trade debtors include £31,702,000 (2020: £36,685,000) relating to contracts where the company acts as an agent, as referred to in the Logistics contracts accounting policy.

Amounts owed by group undertakings are stated after provisions for impairment of £35,000 (2020: £10,000). Trade debtors are stated after provisions for impairment of £1,614,000 (2020: £2,979,000).

The company has a contract that includes an inflation linked element when calculating the amount owed by one of its customers. The amount receivable is revalued after the year end based on inflation figures published in the following year. There is no material adjustment required to trade receivables as a result of this arrangement.

15. DEBTORS - continued

Amounts owed by group undertakings are unsecured and repayable on demand, and include, £61,614,000 (2020: £106,098,000) on which the interest rate is the Sterling Overnight Index Average plus 68 basis points (0.68%) (2020: minus 30 basis points (0.3%)). This interest spread is determined once a year ex ante. Amounts owed by group undertakings also include £352,449,000 (2020: £351,097,000) for an unsecured interest bearing loan on which the interest rate is LIBOR plus a margin of 45 basis points (0.45%) (2020: 45 basis points (0.45%)). The interest reference rate has changed to Sterling Overnight Index Average from 1 January 2022.

Other debtors include £3,354,000 (2020: £3,063,000) due under one year and £10,802,000 (2020: £5,427,000) due after more than one year, relating to amounts recoverable from customers for costs incurred in advance of the start of activity on the contracts. The recovery ends in August 2034.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade creditors	**163,855**	109,707
Amounts owed to group undertakings	**143,386**	132,061
Other creditors	**15,326**	11,108
Taxation and social security	**47,215**	69,623
Accruals and deferred income	**212,906**	190,861
	582,688	513,360

Trade creditors include £20,844,000 (2020: £16,255,000) relating to contracts where the company acts as an agent, as referred to in the Logistics contracts accounting policy.

Amounts owed to group undertakings are unsecured and repayable on demand, and include £3,678,000 (2020: £11,299,000) on which the interest rate is the Sterling Overnight Index Average plus 68 basis points (0.68%) (2020: plus 70 basis points (0.7%)). This interest spread is determined once a year ex ante.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£'000	£'000
Amounts falling due between one and five years		
Other creditors	6,791	5,485
Amounts falling due after more than five years		
Other creditors	4,525	2,272
	11,316	7,757

Creditors due after more than one year represent lease incentives, which are being amortised up to the end of 2042.

18. OPERATING LEASE COMMITMENTS

The company had the following future minimum lease payments in respect of non-cancellable operating leases for each of the following periods:

	2021	2020
	£'000	£'000
Not later than one year	95,943	98,334
Later than one year and not later than five years	211,972	230,756
Later than five years	215,792	122,268
	523,707	451,358

Leases of land and buildings are typically subject to rent reviews at specified intervals.

19. PROVISIONS FOR LIABILITIES

	Uninsured losses £'000	Dilapidations £'000	Other £'000	Total £'000
Balance at 1 January 2021	50,867	36,436	42,803	**130,106**
Charged to the Statement of Comprehensive Income	31,852	6,018	5,235	**43,105**
Unused amounts credited to the Statement of Comprehensive Income	(17,202)	(9,606)	(11,905)	**(38,713)**
Additions to Decommissioning provisions	-	-	9,318	**9,318**
Utilised	(16,600)	(3,264)	(15,871)	**(35,735)**
Transfer from other group undertakings	793	804	2,054	**3,651**
Unwind of discount	52	69	4	**125**
Discount rate adjustment	(178)	(851)	(226)	**(1,255)**
Balance at 31 December 2021	**49,584**	**29,606**	**31,412**	**110,602**

Amounts credited to the Statement of Comprehensive Income include insurance income and adjustments resulting from claims handling and actuarial reviews.

The uninsured losses provision is in respect of the costs of claims which are not insured externally, and fall below the excesses on the group's insurance policies. An amount of £2,067,000 (2020: £2,851,000) has been recovered from other group companies and recognised in the Statement of Comprehensive Income. Claims can take several years to be settled and utilisation of the provisions could take up to 10 years.

Dilapidation provisions cover the costs of returning properties to conditions acceptable by the landlords/ lessors. These provisions are expected to be utilised by 2067.

19. PROVISIONS FOR LIABILITIES – continued

Other provisions cover litigation, warranties, integration costs, business terminations, onerous contracts (including onerous leases), decommissioning costs and other items. These provisions are expected to be utilised by 2030. The charge for the year includes onerous lease provisions in relation to sites used in the provision of logistics services to the hospitality sector. Additions to decommissioning provisions are matched with an equivalent addition to fixed assets which is subsequently depreciated over the term of the lease. The decommissioning provision will be utilised at the end of the lease term to cover the cost of removing alterations made to leasehold property and re-instate the property according to the conditions set out in the lease.

The provisions have been discounted using the rates in the following table. The net effect of the rate changes was a decrease in provisions of £1,255,000 (2020: decrease £101,000) and a corresponding credit to the interest payable line in the Statement of Comprehensive Income.

	2021	2020	**2021**	2020
	%	%	**%**	%
	1-6 years	1-6 years	**Above 6 years**	Above 6 years
Employers' Liability	**(0.30)**	(0.10)	**0.40**	0.20
Motor Vehicles	**0.75**	0.00	**1.00**	0.25
Property	**0.75**	0.00	**1.00**	0.25

20. CALLED UP SHARE CAPITAL

	2021	2020
	£'000	£'000
Allotted and fully paid		
55,000,000 (2020: 55,000,000) ordinary shares of £1 each	**55,000**	55,000

There were no allotments during the year (2020: none).

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

21. EMPLOYEE BENEFIT OBLIGATIONS

The company participates in contributory funded pension schemes operated by the Deutsche Post DHL Group in the United Kingdom.

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The three major UK sections for employees providing services to the company are the Exel Section, the Ocean Section and the Tibbett & Britten Section ('T&B'). Previously there were four main sections, however the DHL NHS Supply Chain Pension Section ('NHS') was merged into the Exel Section during 2020. In addition, a small number of staff are members of the DHL UK Pension Section ('DHL UK'). These sections are part of the DHL Group Retirement Plan ("the Plan"), including both defined benefit and defined contribution type arrangements, which is administered by external trustees independently of the Deutsche Post DHL Group's finances. These sections cover 83.7% (2020: 86.9%) of UK employees.

Actuarial valuations are carried out every three years. The latest valuations of the sections were made as at 31 March 2021 by Willis Towers Watson. The values of the sections' liabilities at 31 March 2021 have been updated by Willis Towers Watson to assess the liabilities of the sections at 31 December 2021 for the purposes of FRS 102 disclosures. The Plan's assets are stated at their market value at 31 December 2021.

A decision was made during 2013 to close all sections of the Plan, except the NHS section, to future accrual on a defined benefit basis with an effective date of 31 March 2014. A decision was made during 2019 to close the NHS section to future accrual on a defined benefit basis with an effective date of 1 April 2019. Subsequent to these dates all active members became deferred members and accrued benefits on a defined contribution basis.

At 31 December 2021 the sections were valued at a net surplus of £297m (2020: £5m surplus).

All the staff providing services to DHL Supply Chain Limited are employed by DHL Services Limited, a fellow group undertaking. The company receives a charge from DHL Services Limited relating to those staff, which includes an element relating to pension costs. Further details of the accounting for defined benefit pension schemes are disclosed in the financial statements of DHL Services Limited. Pension contributions made in respect of employees providing services to DHL Supply Chain Limited were £106,235,000 (2020: £106,844,000) during the financial year relating to both defined benefit and defined contribution schemes.

22. CAPITAL COMMITMENTS

	2021	2020
	£'000	£'000
Contracted but not provided for in the financial statements	**2,576**	27,856

23. CONTINGENT LIABILITIES

(a) The nature of the company's business and the extent of its operations are such that it is from time to time involved in legal proceedings, as plaintiff or defendant. No such current proceedings are expected to have a material effect on the company.

(b) For Value Added Tax (VAT) purposes, the company is grouped with other undertakings in a VAT group; under these arrangements the company has a joint and several liability for amounts owed by those undertakings to HM Revenue & Customs. The balance of VAT payable by the VAT group as at 31 December 2021 was £40,074,000 (2020: £61,321,000).

24. RELATED PARTY TRANSACTIONS

The following arms length transactions took place between related parties:

Related party	Nature of service	Sales	Purchases	Receivables/ (Payables) Balance at 31 December
		2021	2021	2021
		£'000	£'000	£'000
Flexible Lifestyle Employment Company Limited	Sales: IT and management support Purchases: Service level agreement agency income	197	476	26
Health Solutions Team Limited	Sales: Leased equipment, IT and management support	2,540	-	224
Digihaul Limited	Turnover, IT and management support	2,784	49,127	(4,859)

24. RELATED PARTY TRANSACTIONS - continued

Related party	Nature of service	Sales	Purchases	Receivables Balance at 31 December
		2020	2020	2020
		£'000	£'000	£'000
Flexible Lifestyle Employment Company Limited	Sales: IT and management support Purchases: Service level agreement agency income	372	326	27
Health Solutions Team Limited	Sales: Leased equipment, IT and management support	4,046	-	583

The balance owed by Health Solutions Team Limited includes liabilities settled on behalf of the company. The balance will be paid by Health Solutions Team Limited during 2022.

Flexible Lifestyle Employment Company Limited is a joint venture that is 50% owned by a fellow group undertaking. Health Solutions Team Limited is a joint venture that is 50% owned by DHL Supply Chain Limited. DigiHaul Limited is a joint venture that is 60% owned by DHL Supply Chain Limited (note 13).

25. BUSINESS COMBINATION

During 2021 the operating activities previously reported in Tradeteam Limited, a fellow group subsidiary, were moved to DHL Supply Chain Limited. This involved the novation of existing customer contracts to DHL Supply Limited as well as the transfer of assets and liabilities relating to these operations. The balances transferred included the amounts set out below that were transferred using merger accounting at book value and therefore no fair value exercise was required. The net asset balance was settled in the year and the consideration recognised in Amounts owed to group undertakings.

	£'000
Tangible assets	113
Inventories	10,262
Accruals	(907)
Provisions for liabilities	(3,651)
Net balance transferred	5,817

26. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Exel Investments Limited. The company's ultimate parent undertaking and controlling party is Deutsche Post AG, a company incorporated in Germany. This is the only group of which the Company is a member for which group financial statements are prepared. Copies of the financial statements of Deutsche Post AG can be obtained from Deutsche Post AG, Headquarters, Investor Relations, 53250 Bonn, Germany.