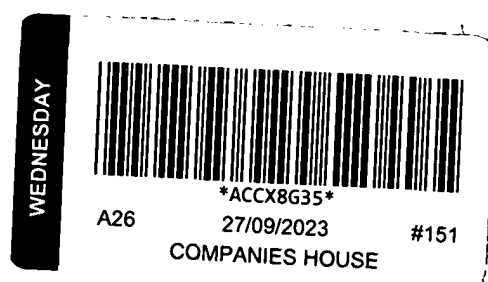


Registered number: 00732993

DPDGROUP UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023



DPDGROUP UK LTD

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | DL Adams EJW Dietz (appointed 1 January 2023) YPL Delmas (resigned 1 January 2023) J Pegg EJ Kerr M Michon |
| Company secretary | JN Clarke (appointed 15 March 2022) |
| Registered number | 00732993 |
| Registered office | Roebuck Lane Smethwick West Midlands B66 1BY |
| Independent auditor | KPMG LLP Chartered Accountants One Snowhill Snow Hill Queensway Birmingham West Midlands B4 6GH |

DPDGROUP UK LTD

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DPDGROUP UK LTD

STRATEGIC REPORT FOR THE PERIOD ENDED 1 JANUARY 2023

Introduction

The directors present their Strategic Report for DPDgroup UK Ltd ("the Company") for the period ended 1 January 2023.

The Company provides transport related services, including the collection and delivery of parcels, distribution and logistics management. There has not been any significant changes in the Company's activities in the period under review. The directors are not aware, as at the date of this report, of any likely major changes in the Company's principal activities, subject to the Future Developments section below.

Strategy

The Company has continued to deliver excellent levels of service to its customers and the directors believe that it has grown its market share in line with its strategic objectives.

The Company will continue to place strategic emphasis on achieving and maintaining the "best customer service" in the marketplace, along with recruiting and retaining the most skilled workforce. It will also continue using the best technology available and has a strategy to be the UK's most sustainable delivery company.

The Company has made plans to grow market share and has put in place strategies and investment programmes to achieve this objective.

Operational review

The Company had another successful operational period to date, meeting all stakeholder expectations, delivering strong revenues, volumes, profits and service levels.

The Company continues to offer a full range of domestic and international, including shop to shop, collection and delivery parcel services. The largest share of revenue comes from Next Day parcels, although the Company continued to grow revenue from its premium and specialist value-added services. For international deliveries the Company continued to benefit from its Group membership of the leading European road based DPD network.

The Company has invested heavily in training programmes for its employees and recognises the outstanding pride and passion of all of its employees as well as its owner driver franchisees.

The Company has continued to develop and build upon its industry leading customer care programmes, to maintain its excellent health and safety standards and to take the utmost care in the safe handling of its customers' parcels.

The Company successfully integrated the CitySprint Group in the period of review and the Board is satisfied with the current operational performance and synergies being achieved.

The Company ended the year in a very strong financial position and the Board believes that this position, coupled with the strength of its parent La Poste (The French Post Office), puts it in a market leading position for future development.

Green infrastructure

As part of the company's Smart Urban Delivery Strategy the Company is building a network of all-electric micro-depots, meaning cleaner deliveries in even more urban areas. DPD's electric vehicle fleet was over 1,500 vehicles in 2021 and this number has grown close to 3,000 (on the road) to the date of this report and the Company aims for 4,000 by the end of 2023.

In May 2022 the Company announced that it is now providing an all-electric delivery service to 10 UK towns and

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

cities and is aiming for 30 all-electric locations by the end of 2023, accelerating its initial target of 25 by the year 2025.

Looking after the environment

In November 2022 the Company announced it would begin switching its 1,600 strong HGV fleet to Gd+ HVO immediately, an advanced hydrotreated vegetable oil (HVO) fuel, and following a four-month trial, the Company aims to convert 100% of its vehicles by the end of 2023 - reducing emissions by 70,282 tonnes compared to 2021. Gd+ HVO is a direct drop-in replacement for diesel, developed by Green Biofuels Ltd and is defined as renewable and sustainable under the EU's REDII legislation.

By using Gd+ HVO fuel, operators of diesel engines typically save lifecycle greenhouse gas emissions by 90%, and consequently help improve local air quality. In-field and controlled environment-independent tests have shown that compared to standard diesel emissions, Gd+ HVO achieves up to 80% reductions of particulates and up to 20% reductions of nitrogen oxides emissions.

In July 2022 the Company submitted a group wide net zero target to the Science Based Target initiative (SBTi) with the target now being validated by the SBTi and a certificate being issued by the date of this report.

The commitment is made up of 2 targets both based on a 2020 base year. The near term reduction target will see the Company reduce greenhouse gas emissions by 43% by 2030 and then push on to a 90% reduction net zero target by 2040.

The Science Based Target initiative is a global body enabling businesses to set emissions reduction targets based on the latest climate science and is widely recognised as leading the way for setting corporate net-zero commitments.

Green website

The Company continues to develop its green website green.dpd.co.uk which outlines all aspects of DPD's journey to being the UK's most sustainable delivery company. It has been visited by over 250,000 individuals since launch and outlines all of the current initiatives the Company is involved in, many of which are geared towards sustainability, reducing carbon emissions and helping the environment. The Company has continued to develop the DPD App, a free to download application giving customers more convenience and more control over their parcel deliveries.

DPD App

Using the App, customers can create their own profiles, set their delivery preferences and track deliveries allowing them to create their own parcel plan for the first time.

The App has been enhanced with the addition of key new features including improved tracking to show consumers what happens next, the ability to rate their delivery and compliment DPD's drivers.

Along with other award winning services such as Predict and Follow My Parcel, this App has allowed the Company to offer the best ever service to its customers and further differentiate itself from other parcel carriers in the UK market.

The Company can now track all-electric deliveries to their customers using the App, recording which have become "DPD Eco Superheroes". Alongside their partnership with Treeapp, the Company is dedicated to planting more trees across the United Kingdom as a result of all-electric vehicles using the App.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

Investment for growth

The Company continues to invest in its infrastructure to increase capacity levels inline with its strategic objectives. In 2021 the Company completed the build of a 5th Hub facility, representing a £135m investment. This included a state of the art Solar PV system comprising over 6,000 panels and the Company is now evaluating the expansion of Solar PV to over 20 more sites across its network.

The Company continues to invest in its network of delivery and collection depots and it has invested in larger depot sites (Distribution Centres) to ensure it has the required capacity to meet customer demands. The Company also plans to expand its network of depots within major city centres in the coming years as part of its 'urban logistics' focus.

In 2023 the Company will invest in its first Regional Sortation Centre in Bow E3, London, further increasing the capacity levels required for outlined future strategic objectives.

Technology and innovation

DPD is widely acknowledged as a market leader in innovation, and involved in the creation and development of a series of award winning 'firsts'.

The Company's unique Predict service continues to be further enhanced to provide more choice for customers giving them access to a range of 'in-flight' delivery options the evening before delivery. Voted one of the top retail innovations of recent times, it enables customers to plan ahead or change delivery details. Customers then receive advanced notification of their exact one hour delivery time slot and can track their delivery using a unique mapping tool all the way to their front door.

The Company's latest cutting-edge route-control software ensures delivery drivers are efficient on their routes, travelling fewer miles and generating less CO2s.

The Company has recently been investing and trialing deliveries made by robots, and look to expand their fleet of robots across 2023.

Award winning

At the 2022 Business Champion Awards in London, the Company was named Sustainable Business of the Year Award.

At the 2022 Edie Sustainability Leaders Awards, the 'Oscars' of the Sustainability sector, the Company won the Waste and Resource Management Project of the Year award.

At the 2022 National Sustainability Awards the Company collected the top prize in the Supply Chain Initiative category.

At the 2022 Motor Transport Awards, DPD were awarded the Clean Fleet Van Operator and Urban Operator of the Year awards.

The Company won the Corporate Inspiration Award at the 2021 Institute of Courier Awards for its ReLove Initiative that launched in 2021.

The Company also won numerous other Business Excellence Awards in 2022, which can be found on their web address [green.dpd.co.uk](https://www.green.dpd.co.uk).

DPDGROUP UK LTD

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2023

Future developments

The Company continues with its strategy to buy-back franchisee operating area rights up to 2025. This will enable the business to have the required capacity to meet continuing demand. Further details can be found in the financial statements of DPD Local UK Ltd.

Principal risks and uncertainties

The Board recognises that the future success of the Company is subject to a number of risks. In the opinion of the Board, the key risks to the business are as follows:

The economy and competitor activity

The Company's future growth projections include an assumption of UK economic growth (based on independent information), however the Board recognises that this element of growth is a risk.

However the Board is confident that its strategies for profitable growth aided by its strategic and operating investments, mitigate the risk of an economic downturn as much as possible.

Cost of living crisis and inflation

The Office for National Statistics (ONS) recently stated in their March 2023 report that the consumer price index (CPI) continues to remain over 10%, amongst the highest levels in 40 years. Continued high levels of inflation, increased energy and food costs, coupled with recent interest and tax rises, have all contributed to what is widely referred to as the cost of living crisis within the UK.

As prices in the UK continue to rise, there is a risk that reduced household income will have a detrimental impact on the projected sales of the Company. In light of this, the Group will continue to track the current crisis on a constant basis and react accordingly. Currently, the Group continues to grow their market share in line with strategic objectives set so does not consider it an immediate concern.

Fuel prices

A significant proportion of the Company's cost base is fuel price dependent. It is normal industry practice to pass on the impact of increased fuel prices to customers, through fuel surcharges.

Business interruption

The Board recognises that it is at risk from the loss of an IT system or a key operational facility. The Company has a specific Business Interruption policy which is reviewed and updated regularly. The Business Interruption policy contains continuity plans which the Board believe minimise the risk to the Company.

Financial risk management

The Company's activities expose it to a variety of financial risks, including credit risk, the effects of foreign currency, exchange rates and interest rates. The Company's overall risk management policy focuses on monitoring potential adverse effects where considered material. The Company may use derivative financial instruments, such as forward contracts to hedge against certain future exposures.

Interest rate risk

The Company's activities expose it to interest rate risk. To mitigate this risk the Company utilises a group facility. The Company's facility with GeoPost Holdings Limited is deemed payable on demand regardless of the maturity profile of loans that have been taken under this facility.

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023

Liquidity risk

The Company's liquidity position is reviewed on a daily basis for short term liquidity risk and on a monthly basis for long term liquidity risk. The ultimate parent La Poste continues to make funding available for the Company's operations and as such the Company's exposure to liquidity risk is minimal.

Foreign currency exchange risk

The Company's principal foreign currency exposures arise from overseas purchases of goods and services. In 2022 the Company has not hedged against these transactions through the use of forward exchange contracts as the volume of purchases and volatility in currency rates has not warranted this. However, the Company keeps movements on exchange rates under close review and will use forward contracts when deemed necessary.

Credit risk

The Company manages everything that is important to its customers and to its financial performance through a series of Key Performance Indicators (KPIs). Using a decentralised management approach wherever possible, KPIs may be measured at both a depot and Company level.

Stakeholder engagement

The Company has an open dialogue with its customers through a number of communication lines, including regular emails, alerts and direct contact via Sales team members.

The Company works in partnership with local and national suppliers for mutual benefit. All suppliers are treated in-line with Company values. The Company also publishes payment practices, policies and statistics on its website. Regular communication is held with key suppliers including Owner Driver Franchisees, to ensure they are kept updated with the Company's activity.

The Company communicates openly with the Pension Trustees, the Chair of which is independent of the Company. The Trustees comprise individuals nominated by both the pension scheme members and the Company. These relationships are key to ensuring that the decisions made by both the Company and the scheme reflect the interest of all stakeholders.

The Company has a DPD Life employee wellbeing website. This initiative has allowed the workforce to be kept up-to-date with the company values and activities, and allowed the workforce to feedback their views.

The Company has a whistleblowing policy, which enables employees to highlight any potential breaches from the Code of Conduct; they can contact the independent whistleblowing services provider and then a formal investigation follows.

The Company's website, intranet and social media channels provide extensive and up to date news on recent developments. There are also a number of current initiatives designed to communicate openly to the workforce, these include:

The 'This is us' book - giving a guide on DPDs values and strategies
Corporate induction for all new employees
Regular email newsletters
A quarterly magazine
An Annual Sales conference
New starter surveys

These initiatives have allowed the workforce to be kept up-to-date with the Company values and activities, and allowed the workforce to feedback their views.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

KPIs

The KPIs used within the Company include:

- On-time delivery service levels; key service level targets were achieved during the year.
- Operational unit costs; the KPIs on operational unit costs are managed actively by the business and it continuously seeks to improve delivery stop density, which is a key driver in managing operational unit cost. Due to the sensitive nature of these KPIs, information on these is not provided.
- Days sales outstanding; these were 31 days (2021: 32 days).
- Turnover; decreasing 5% to £1,494m (2021: £1,573m).
- Operating profit; decreasing 14% to £236m (2021: £273m).
- Profit before tax; decreasing 1% to £300m (2021: £302m).

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

Under section 172(1) of the Companies Act 2006, the Board has a duty to act in good faith and in a way that would be most likely to promote the success of the Company for the benefit of its shareholder whilst having regard to matters set out in S172(1) (a-f) of the Act:

- (a) the likely long term consequences of decisions;
- (b) the interest of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business and conduct; and
- (f) the need to act fairly as between the Company's owners.

To discharge their section 172(1) duties the Board had regard to the factors set out above in making the principal decisions taken by the Company. All Board decisions made during the period were made to promote the long term success of both the Company and its ultimate parent company and were in line with the strategic goals and objectives of the group.

Further details can be found in the Corporate Governance section of the Strategic Report.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

Corporate Governance - appliance of the Wates Principles

For the period ended 1 January 2023, under the Companies (Miscellaneous Reporting) Regulations 2018 and to comply with section 172 of the Companies Act 2006, the Company continues to apply the 6 Wates Corporate Governance Principles for large private companies as detailed below.

1. Purpose and leadership

The Company's purpose and strategy are clearly communicated

The Company's purpose is to be the leading parcel carrier in the UK. Its strategy focuses on: 1. deliver the best service, 2. use the best technology 3. retain and develop the best people 4. to be the most sustainable parcel delivery company in the UK.

The Company's values focus on being a responsible partner to the people, businesses and communities it works closely with

The company believes in being a responsible partner to the people, businesses and communities it works closely with. It does this with:

1. Carbon neutral commitment - Being dedicated to making every parcel we delivered carbon neutral, for all our customers;
2. Innovative entrepreneurship - Sharing expertise and entrepreneurial spirit to help local enterprises thrive;
3. Smart urban delivery - Improving everyday urban life by giving people greater delivery choices, whilst reducing impact on the environment; and
4. Closer communities - Bringing people together to support and build the communities.

2. Board composition

The Board comprises a Chairman, a Chief Executive Officer (CEO), Executive directors, General Counsel and a Company Secretary. The role of the Chairman and CEO is combined. Day to day management of the business is carried out via the Senior Leadership Team ("SLT"), which reports to the Board

The SLT comprises the CEO, Board-level Executive directors and the company's Associate Directors. The Company feels the SLT size and composition is appropriate for the business.

The Company ensures there is a balance of responsibilities, accountabilities and decision-making across the SLT. This is effectively maintained through:

- The Chairman / CEO playing a pivotal role in creating the conditions for overall Board and individual director effectiveness;
- Encouraging open debate
- Local decisions are discussed and made at the SLT and at Operational Board level.
- The balance of power is maintained with key strategic decisions made by Group (ensuring independence and critical challenge).

The SLT mix is balanced and diverse

The Company is proud of the diversity on the SLT, with a mix of gender, a mix of working backgrounds and a mix of skills. The Company is committed to promoting an inclusive environment.

The SLT members are monitored against targets to assess their effectiveness

Board and SLT members update their skills and knowledge by meeting with operational management, visiting UK wide sites and by attending appropriate external seminars and training courses. All SLT Members are set targets and monitored against these regularly.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

3. Director responsibilities

Directors adhere to Group corporate governance

The Company acknowledges the importance of good corporate governance throughout its operations and has measures in place to meet the governance rules of the wider Group.

There are clear defined roles, appropriate authorisation limits and strong controls in place

The Company has a defined organisational structure with clear roles and responsibilities. The structures in place ensure appropriate limits are used for internal authorisation. Decisions are made in-line with approved annual budgets.

There are sufficient internal authorisation controls. This includes separate controls covering purchasing and sales contracts. The Company segregates duties and identifies incompatible tasks to maintain a strong control environment.

All Board and Senior Leadership Team members are required to declare conflicts of interest and adhere to the Bribery & Anti-corruption policy

Each Board and SLT member has a clear understanding of their accountability and responsibilities. All members must declare any potential conflicts of interest and any related party transactions. These declarations are collated by the Head of Internal Audit and communicated to the Group Risk Committee. Where there are potential conflicts, appropriate safeguards are implemented.

The Company takes a zero-tolerance approach to any form of bribery and corruption, and is committed to acting professionally, fairly and with the utmost integrity in all business dealings and relationships. The Company policy on bribery and anti-corruption applies to all individuals working at all levels within the Company.

The Operational Board

The SLT delegates authority for day to day operational management of the Company to the Operational Board which meets monthly and is chaired by the Chief Executive Officer. The Operational Board comprises executive directors and other senior team members from the business.

4. Opportunity and risk

Opportunities and risks are evaluated

Board, SLT, and Operational Board meetings provide a forum for opportunities and risks to be discussed. The SLT also holds an annual strategic review for longer term opportunities and risks.

A bi-annual exercise is undertaken by Internal Audit to collate Company wide risk registers

Risks are identified via Company wide risk registers, which are submitted to the Internal Audit function bi-annually. A clear policy is issued to the owners of the risk registers to enable them to identify and document the risk likelihood, impact and mitigation.

The Risk Committee monitors the effectiveness of risk identification, classification and mitigation

The Company has a Risk Committee comprising executive directors, Internal Audit, and senior Finance Managers. The Risk Committee ensures that risks are identified and controlled. It monitors the effectiveness of the Company's approach to risk identification, classification and mitigation.

The Company's key operational risks and mitigation's are outlined in the Strategic Reports. In addition to the Risk Committee, the Company submits to Group on an annual basis the Corporate Risk register.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

The Company maintain full compliance with all applicable legislation either through certifications or alignment to best practice

The Company has developed an Operating Framework which includes the Group's operating rules, processes, best practices and delegated authorities. It is also certified for ISO 9001 and ISO 14001.

In addition the Company maintains full compliance with all applicable legislation and contractual requirements and the Company fully complies with relevant EU and UK legislation.

Robust internal processes exist to ensure systems and controls operate effectively, and that the quality and integrity of information provided is reliable

The SLT receives regular and timely information on financial and non-financial performance, supported by Key Performance Indicators ("KPIs"). Analysts provide the SLT with specific information requests, and have the necessary processes to ensure the integrity of the information. Key financial information is collated from the Company's accounting systems.

The Company's Finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is externally audited and financial controls are reviewed by the Company's internal audit function.

Appropriate approvals are in place for transactions

The Board and SLT approve contracts above a defined value or for any transaction that requires an unbudgeted allocation of capital. This ensures that the appropriate level of due diligence has been performed before approval.

The Company also acts within the Group framework for capital purchase authorisation, seeking approval for proposals that require sign-off from the Group Investment Committee.

5. Remuneration

CEO pay is authorised by Group; Director and SLT pay is authorised by the CEO

CEO remuneration is authorised by the Group. Executive Director and SLT remuneration are authorised by the CEO. Directors and senior management are incentivised on company performance.

The Gender Pay Gap and equal pay

The Company publishes annually its Gender Pay Gap Report - the report can be viewed on the website: (https://www.dpd.co.uk/content/about_dpd/press_centre/news.jsp).

The Company recruits, develops and offers career progression to individuals objectively and solely on the basis of their merit and ability.

6. Stakeholders

The Company engages in open and honest dialogue with external stakeholders

The Company has an open dialogue with its customers through a number of communication lines, including regular email, alerts and direct contact via Sales team members.

The Company works in partnership with local and national suppliers for mutual benefit. All suppliers are treated in-line with Company values. The Company publishes payment practices, policies and statistics on the company website.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

Regular communication is held with key suppliers including Owner Driver Franchisees, to ensure they are kept updated with the Company's activity.

The Company communicates openly with the pension Trustees, the Chair of which is independent of the Company. The Trustees comprise individuals nominated by both the pension scheme members and the Company. These relationships are key to ensuring that the decisions made by both the Company and the scheme reflect the interest of all stakeholders.

The Company's website, intranet and social media channels provide extensive and up to date news on recent developments.

A number of initiatives have been used to ensure employee engagement

There are also a number of current initiatives designed to communicate openly to the workforce, these include:

- 'This is Us' book
- Corporate induction for all new employees
- Regular email newsletters
- A quarterly magazine
- An Annual Sales conference
- New starter surveys

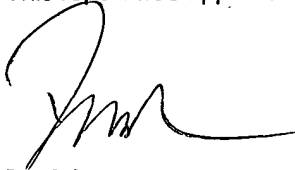
These initiatives have allowed the workforce to be kept up-to-date with the Company values and activities, and allowed the workforce to feed back their views.

The Company has a whistleblowing policy, which enables employees to highlight any potential breaches from the Code of Conduct; they can contact the independent whistleblowing services provider and then a formal investigation follows.

Community fund

The Company launched the Community Fund in 2017, which donates money to charities and local community projects. During 2022, the Company helped over 100 charities of various sizes through donations.

This report was approved by the board on 25 September 2023 and signed on its behalf.



DL Adams
Director

DPDGROUP UK LTD

DIRECTORS' REPORT FOR THE PERIOD ENDED 1 JANUARY 2023

The Directors present their report and the financial statements for the period ended 1 January 2023.

Registered office

The registered office address of DPDgroup UK Ltd is Roebuck Lane, Smethwick, West Midlands, B66 1BY.

Results and dividends

The profit for the period, after taxation, amounted to £252,024,000 (2021: £252,674,000).

Dividends of £6.29 per ordinary share (2021: £4.03) amounting to £250,000,000 (2021: £160,000,000) were paid in the year.

Directors

The Directors who served during the period and up to the date of signing these financial statements were as follows:

DL Adams
EJW Dietz (appointed 1 January 2023)
YPL Delmas (resigned 1 January 2023)
J Pegg
EJ Kerr
M Michon

Future developments

There have been no further future developments other than the ones discussed in the Strategic Report.

Company's policy for payment of creditors

Terms and conditions are agreed with suppliers in advance. Payment is then made in accordance with the agreement, providing the supplier has met the terms and conditions.

Engagement with employees

It is Company policy to endeavour to maintain close links with the whole of the workforce. The Company communicates with its employees by means of notice boards, newsletters and various other channels.

The Company provides employees with information on matters of concern, to them as employees by means of formal and informal meetings and briefings. When decisions are taken affecting the interests of employees, individuals or their representatives are consulted in order to take their views into account.

Further details are provided in the Corporate Governance section of the Strategic Report.

Engagement with suppliers, customers and others

The Company fully engages with all of its stakeholders, including its employees, customers and suppliers; details are provided in the Corporate Governance section of the Strategic Report.

DPDGROUP UK LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023

Greenhouse gas emissions, energy consumption and energy efficiency action

Statement of carbon emissions compliant with UK legislation set out in the Streamlined Energy and Carbon Reporting (SECR) covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and energy efficiency actions.

| | 1 January 2023 | 2 January 2022 |
|---|-------------------|-------------------|
| Total electricity use (kWh) | 37,495,729 | 37,927,930 |
| Total gas use (kWh) | 32,548,890 | 47,811,313 |
| Total LPG use (kWh) | 508,360 | 1,057,017 |
| Total solar electricity use (kWh) | 4,317,477 | 1,339,989 |
| Total transport use - company and grey fleet (kWh) | 6,996,928 | 4,973,500 |
| Total diesel use (kWh) | 502,255,320 | 522,168,088 |
| Total energy use from all sources (kWh) | 584,122,704 | 615,277,649 |
| Total carbon emission from electricity (tCO ₂ e) | 10,923 | 11,048 |
| Total carbon emission from gas (tCO ₂ e) | 6,982 | 10,256 |
| Total carbon emission from LPG (tCO ₂ e) | 125 | 260 |
| Total carbon emission from solar electricity (tCO ₂ e) | 47 | 15 |
| Total carbon emissions from transport - company and grey fleet (tCO ₂ e) | 2,222 | 1,624 |
| Total diesel use (tCO ₂ e) | 142,658 | 153,803 |
| Total carbon emissions (tCO ₂ e) | 162,957 | 177,006 |
| Total estate size (sqft) | 5,061,678 | 5,117,845 |

Carbon intensity ratio: 32.19 kgCO₂e per sqft (2021: 34.59)

Carbon intensity ratio: 0.48 kgCO₂e per parcel (2021: 0.48)

The latest emissions data includes WTT and T&D.

WTT accounts for the upstream emissions associated with extraction, refining and transportation of raw fuel sources prior to combustion (gas, fuel) or for use in the generation of electricity.

T&D accounts for the emissions associated through grid energy loss which occurs in getting the electricity from the powerplant to your sites.

DPDGROUP UK LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023

Statement of Energy Use and Carbon Emissions (with exclusions)

Excluding renewable and solar electricity and including WTT and T&D for previous period.

| | 1 January 2023 | 2 January 2022 |
|---|-------------------|-------------------|
| Total non renewable electricity use (kWh) | 469,409 | 422,066 |
| Total gas use (kWh) | 32,548,890 | 47,811,313 |
| Total LPG use (kWh) | 508,360 | 1,057,017 |
| Total transport use - company and grey fleet (kWh) | 6,996,928 | 4,973,500 |
| Total diesel use (kWh) | 502,763,680 | 522,168,088 |
| Total energy use from all sources (kWh) | 542,778,907 | 576,432,984 |
| Total carbon emission from electricity (tCO ₂ e) | 137 | 123 |
| Total carbon emission from gas (tCO ₂ e) | 6,982 | 10,256 |
| Total carbon emission from LPG (tCO ₂ e) | 125 | 260 |
| Total carbon emissions from transport - company and grey fleet (tCO ₂ e) | 2,222 | 1,624 |
| Total diesel use (tCO ₂ e) | 142,783 | 153,803 |
| Total carbon emissions (tCO ₂ e) | 152,124 | 166,066 |
| Total estate size (sqft) | 5,061,678 | 5,117,846 |

Carbon intensity ratio 30.05 kgCO₂e per sqft (2021: 32.45)

Carbon intensity ratio 0.45 kgCO₂e per parcel (2021: 0.45)

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

Carbon and energy efficiency actions

We ("the Company") are committed to responsible carbon management and will practise energy efficiency throughout our organisation, wherever it's cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

We have implemented the policies below for the purpose of increasing the businesses energy efficiency in the relevant financial period.

Energy Efficiency Actions carried out in 2022

- * We have continued the roll out of Gas Automatic Meter Reads (AMR) across our network.
- * Gas heating settings were altered to overnight 6 hours per day during warm weather months.
- * Water AMR loggers rolled out across the majority of depots with the data available on the Fusion portal.
- * Expansion of our Electric Vehicles (EVs) fleet by 1,000 vehicles in the year.
- * We have deployed HVO fuel to 60% of our Linehaul fleet.

Energy Efficiency Actions considered for 2023

- * New depots expected to be open at the end of the year will be added to the Gas AMR roll out list.
- * Pilot/Vickers Gas Heating management system with Remote access to be rolled out in Q2 2023 to 23 sites.
- * Continuation of the Water AMR roll out including new depots.
- * Barking Solar PV to be installed in Q2.
- * Hub 4 Solar PV system planned to increase in size.
- * Docklands Solar PV to be installed on the canopy.
- * Carlisle and Wolverhampton will have Solar PV installed as part of the build.
- * Our Linehaul fleet will use 100% HVO fuel by Q4 2023.
- * We have ordered an additional 1,000 EVs this year (Ford e-Transits) which will increase our fleet to approximately 4,000 EVs. With this growth in fleet, we expect to complete our Vision 30 strategy to deliver all-electric in 30 towns and cities by the end of 2023.

Methodology used in the calculation of disclosures

ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency, 21.01.21) used in conjunction with Government GHG reporting conversion factors.

For carbon only related matters, the SECR methodology as specified in "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting" was used in conjunction with Government GHG reporting conversion factors.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reportingguidance_inc_SECR_31March.pdf

Post balance sheet events

There have been no significant events affecting the Company since the period end. Further details on this can be found in note 31.

DPDGROUP UK LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2023**

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on 25 September 2023 and signed on its behalf.



DL Adams
Director

Roebuck Lane
Smethwick
West Midlands
B66 1BY

DPDGROUP UK LTD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

DPDGROUP UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DPDGROUP UK LTD

Opinion

We have audited the financial statements of DPDgroup UK Ltd (the 'Company') for the period ended 1 January 2023, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements :

- give a true and fair view of the state of the Company's affairs as at 1 January 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DPDGROUP UK LTD (CONTINUED)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors.
- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the defined benefit pension scheme assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition as sales are simple revenue transactions and therefore the nature of operations provides limited opportunities to engage in fraudulent revenue recognition.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management/ those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.

We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and

DPDGROUP UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DPDGROUP UK LTD (CONTINUED)

taxation legislation, and the defined benefit pension scheme legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

DPDGROUP UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DPDGROUP UK LTD (CONTINUED)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

DPDGROUP UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DPDGROUP UK LTD (CONTINUED)



Xavier Timmermans (Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GH

26 September 2023

DPDGROUP UK LTD

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 1 JANUARY 2023**

| | Note | 1 January 2023 £000 | 2 January 2022 £000 |
|---|------|---------------------------|---------------------------|
| Turnover | 4 | 1,493,923 | 1,572,581 |
| Cost of sales | | (1,158,237) | (1,197,971) |
| Gross profit | | 335,686 | 374,610 |
| Other operating charges | | (100,124) | (102,058) |
| Operating profit | 5 | 235,562 | 272,552 |
| Income from other fixed asset investments | 9 | 90,000 | 50,000 |
| Interest receivable and similar income | 10 | 873 | 43 |
| Interest payable and similar expenses | 11 | (26,873) | (20,185) |
| Profit before tax | | 299,562 | 302,410 |
| Tax on profit | 12 | (47,538) | (49,736) |
| Profit for the financial period | | 252,024 | 252,674 |

The notes on pages 27 to 62 form part of these financial statements.

**OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 1 JANUARY 2023**

| | Note | 1 January 2023 £000 | 2 January 2022 £000 |
|---|------|---------------------------|---------------------------|
| Profit for the financial period | | 252,024 | 252,674 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Actuarial (loss)/gain on defined benefit schemes | | (28) | 5,975 |
| Movement of deferred tax relating to pension surplus/(deficit) | | 7 | (1,845) |
| Remeasurement of unfunded Employer-financed benefits scheme (EFRBS) | | 704 | 46 |
| | | 683 | 4,176 |
| Total comprehensive income for the period | | 252,707 | 256,850 |

The notes on pages 27 to 62 form part of these financial statements.

DPDGROUP UK LTD
REGISTERED NUMBER: 00732993

BALANCE SHEET
AS AT 1 JANUARY 2023

| | Note | 1 January 2023 £000 | 2 January 2022 £000 |
|---|------|---------------------------|---------------------------|
| Fixed assets | | | |
| Intangible assets | 14 | 1,075 | 1,464 |
| Tangible assets | 16 | 896,422 | 813,175 |
| Investments | 17 | 328,760 | 56,531 |
| | | <u>1,226,257</u> | <u>871,170</u> |
| Current assets | | | |
| Stocks | 18 | 7,985 | 7,684 |
| Debtors: amounts falling due after more than one year | 19 | 259 | 160 |
| Debtors: amounts falling due within one year | 19 | 210,741 | 212,197 |
| Cash at bank and in hand | 20 | 43,734 | 142,051 |
| | | <u>262,719</u> | <u>362,092</u> |
| Creditors: amounts falling due within one year | 21 | (721,381) | (529,481) |
| Net current liabilities | | <u>(458,662)</u> | <u>(167,389)</u> |
| Total assets less current liabilities | | <u>767,595</u> | <u>703,781</u> |
| Creditors: amounts falling due after more than one year | 22 | (553,027) | (487,293) |
| | | <u>214,568</u> | <u>216,488</u> |
| Provisions for liabilities | | | |
| Deferred taxation | 24 | (9,767) | (2,579) |
| | | <u>(9,767)</u> | <u>(2,579)</u> |
| Net assets excluding pension asset | | <u>204,801</u> | <u>213,909</u> |
| Pension asset | | 17,496 | 5,681 |
| Net assets | | <u><u>222,297</u></u> | <u><u>219,590</u></u> |
| Capital and reserves | | | |
| Called up share capital | 25 | 39,745 | 39,745 |
| Share premium account | 26 | 119 | 119 |
| Revaluation reserve | 26 | 4,386 | 4,386 |
| Profit and loss account | 26 | 178,047 | 175,340 |
| | | <u>222,297</u> | <u>219,590</u> |

DPDGROUP UK LTD
REGISTERED NUMBER: 00732993

BALANCE SHEET (CONTINUED)
AS AT 1 JANUARY 2023

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2023.

EJ Kerr
Director



DL Adams
Director



The notes on pages 27 to 62 form part of these financial statements.

DPDGROUP UK LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 1 JANUARY 2023**

| | Called up share capital | Share premium account | Undistributabl e reserves | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|------------------------------|----------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 3 January 2022 | 39,745 | 119 | 4,386 | 175,340 | 219,590 |
| Comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 252,024 | 252,024 |
| Other comprehensive income - pensions | - | - | - | (21) | (21) |
| Other comprehensive income - EFRBS | - | - | - | 704 | 704 |
| Transactions with owners, recorded directly in equity | - | - | - | 252,707 | 252,707 |
| Transactions with owners, recorded directly in equity | | | | | |
| Dividends paid | - | - | - | (250,000) | (250,000) |
| At 1 January 2023 | 39,745 | 119 | 4,386 | 178,047 | 222,297 |

The notes on pages 27 to 62 form part of these financial statements.

DPDGROUP UK LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 2 JANUARY 2022**

| | Called up share capital | Share premium account | Undistributable reserves | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|-----------------------------|----------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 4 January 2021 | 39,745 | 119 | 4,737 | 78,139 | 122,740 |
| Comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 252,674 | 252,674 |
| Other comprehensive income - pensions | - | - | - | 4,481 | 4,481 |
| Other comprehensive income - EFRBS | - | - | - | 46 | 46 |
| Other comprehensive income - undistributable reserves | - | - | (351) | - | (351) |
| Transactions with owners, recorded directly in equity | | | | | |
| | - | - | (351) | 257,201 | 256,850 |
| Transactions with owners, recorded directly in equity | | | | | |
| Dividends paid | - | - | - | (160,000) | (160,000) |
| At 2 January 2022 | 39,745 | 119 | 4,386 | 175,340 | 219,590 |

The notes on pages 27 to 62 form part of these financial statements.

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023

1. Corporate Information

DPDgroup UK Ltd is a company incorporated in the United Kingdom. The registered address of the Company is given on the company information page. The principal operations of the Company are included in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policy. The Directors believe there are no critical accounting policies where judgements or estimates have been necessarily applied other than those stated in note 3.

DPDgroup UK Ltd ("the Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 0732993 and the registered address is Roebuck Lane, Smethwick, West Midlands, B66 1BY.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

Basis of preparation of financial statements (continued)

Consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by La Poste, the ultimate parent undertaking, incorporated in France and are available from the address set out in note 32. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

Cash Flow Statement and related notes;
Certain disclosures regarding revenue;
Certain disclosures regarding leases;
Comparative period reconciliation's for share capital;
Disclosures in respect of transactions with wholly owned subsidiaries ;
Disclosures in respect of capital management;
The effects of new but not yet effective IFRSs;
Disclosures in respect of the compensation of Key Management Personnel; and
Disclosures of transactions with a management entity that provides key management personnel services to the Company.

Functional and presentational currency

The Company's functional currency is Sterling, as this is the currency of the primary economic environment of that which the Company operates. The financial statements are presented in Sterling.

Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 3.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

2.2 Going concern

Notwithstanding net current liabilities of £458,662,000 as at 1 January 2023, including £94,707,000 lease payments due on an IFRS16 basis (see note 15) the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have prepared detailed financial forecasts, taking into account reasonable, possible downside scenarios and with due consideration to the on going impact of the cost of living crisis, further inflation increases, reduced consumer spending and the Ukrainian war. These forecasts show that the Company has sufficient financial resources to enable the Company to continue to operate for at least twelve months following the signing date of these accounts.

Those forecasts are dependent on the Company's intermediate parent companies, Geopost Holdings Limited and Geopost Intermediate Holdings, not seeking repayment of the amounts currently due to them, which at 1 January 2023 amounted to £264,632,000. Geopost Holdings Limited and Geopost Intermediate Holdings have indicated that they do not intend to seek repayment of these amounts for the period covered by the forecasts.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As such, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised after collection and sortation of consignments.

2.4 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

2.4 Leases (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.6.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

2.5 Intangible assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

Amortisation on intangible assets is provided on the following basis using a straight line method:

Major software upgrades - 20%
Minor software upgrades - 33%

2.6 Tangible fixed assets

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-------------------------------|-----------------|
| Freehold property | - 1.25 to 10% |
| Short-term leasehold property | - term of lease |
| Plant and machinery | - 10 to 25% |
| Fixtures and fittings | - 10 to 20% |
| Office equipment | - 20% |
| Computer equipment | - 20 to 50% |

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

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

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value after making allowances for obsolete and slow-moving inventory. Cost includes all direct costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

2.9 Foreign currency translation

Functional and presentational currency

The Company's functional and presentational currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

2.12 Financial instruments

Financial assets carried at amortised cost

Financial assets are recognised on the Balance Sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables only.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

2.13 Sale and leaseback

A sale and leaseback transaction is one where the Company sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. The Company previously had sale and leaseback transactions reported under IAS 17 upon transition to IFRS 16. These transactions have been reviewed under IFRS 16 guidelines and have now been accounted for like any other operating lease at transition to IFRS 16 (see note 15 for further details). The Company (seller-lessee) has recognised a right-of-use asset and lease liability on the Balance Sheet.

The Company has not had to adjust the right-of-use asset for any deferred gains or losses relating to off-market terms remaining on the Balance Sheet immediately prior to date of initial application of IFRS 16.

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at 1 January 2023 less the fair value of plan assets at that date out of which the obligations are to be settled.

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Other Comprehensive Income.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

2. Accounting policies (continued)

2.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet.

2.16 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.17 Provisions for liabilities

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Taxation

Current corporation tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from the Statement of Comprehensive Income in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2.19 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

3. Critical accounting judgements and estimation uncertainties

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe there have been no critical accounting policies where judgement has been applied.

The following are the Company's key sources of estimation uncertainty:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 28.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 16 for the carrying amount of tangible fixed assets, and the depreciation accounting policy note above for the useful economic lives for each class of asset.

4. Turnover

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

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Parcel distribution and related services | 1,493,923 | 1,572,581 |
| | <u>1,493,923</u> | <u>1,572,581</u> |

All turnover arose within the United Kingdom.

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023

5. Operating profit

The operating profit is stated after charging:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Depreciation of tangible fixed assets | 28,439 | 29,054 |
| Depreciation of IFRS 16 Right of Use tangible fixed assets | 106,461 | 97,806 |
| Amortisation of intangible assets, including goodwill | 581 | 725 |
| Exchange losses / (gains) | 798 | (642) |
| Defined contribution pension cost | 13,743 | 12,121 |
| Defined benefit pension cost | 1,811 | 1,648 |
| Operating lease payments for the hire of plant and machinery (non IFRS 16) | 8,069 | 12,106 |
| | <u>159,902</u> | <u>152,818</u> |

6. Auditor's remuneration

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

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements | 235 | 200 |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

7. Employees

Staff costs, including Directors' remuneration, were as follows:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|-------------------------------------|---------------------------|---------------------------|
| Wages and salaries | 387,527 | 376,095 |
| Social security costs | 38,815 | 34,844 |
| Cost of defined benefit scheme | 1,811 | 1,648 |
| Cost of defined contribution scheme | 13,743 | 12,121 |
| | <u>441,896</u> | <u>424,708</u> |

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

| | 1 January 2023 No. | 2 January 2022 No. |
|---------------------------------------|--------------------------|--------------------------|
| Administration, sales and supervision | 3,193 | 3,154 |
| Operational | 6,223 | 6,211 |
| | <u>9,416</u> | <u>9,365</u> |

8. Directors' remuneration

| | 1 January 2023 £000 | 2 January 2022 £000 |
|-----------------------|---------------------------|---------------------------|
| Directors' emoluments | 3,168 | 3,529 |
| | <u>3,168</u> | <u>3,529</u> |

During the period retirement benefits were accruing to no Directors (2021: none) in respect of defined contribution pension schemes. The company contributions to these schemes were nil (2021: nil).

During the period retirement benefits were accruing to no Directors (2021: none) in respect of defined benefit pension schemes. The company contributions to these schemes were nil (2021: nil).

There are two directors' who are deferred members of the defined benefit scheme (2021: 2).

The highest paid Director received remuneration of £1,310,192 (2021: £1,173,791).

The highest paid Director is a deferred member of the defined benefit scheme and accordingly has not accrued any benefit in 2022.

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

9. Income from investments

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Dividends received from shares in subsidiary undertakings | 90,000 | 50,000 |
| | <u>90,000</u> | <u>50,000</u> |

10. Interest receivable and other similar income

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Interest receivable from IFRS 16 leases | 7 | 16 |
| Interest on pension scheme | 302 | - |
| Other interest receivable | 564 | 27 |
| | <u>873</u> | <u>43</u> |

11. Interest payable and similar expenses

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Other loan interest payable | - | 1,335 |
| Other interest payable | 65 | 42 |
| Loans from group undertakings | 6,717 | 315 |
| Interest on IFRS 16 lease liabilities | 20,091 | 18,491 |
| Interest on pension scheme liabilities | - | 2 |
| | <u>26,873</u> | <u>20,185</u> |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

12. Taxation

| | 1 January 2022 £000 | 2 January 2021 £000 |
|---|---------------------------|---------------------------|
| Corporation tax | | |
| Current tax on profits for the year | 40,343 | 47,106 |
| Adjustments in respect of previous periods | - | (2,350) |
| Total current tax | <u>40,343</u> | <u>44,756</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | 7,195 | 4,980 |
| Total deferred tax | <u>7,195</u> | <u>4,980</u> |
| Taxation on profit on ordinary activities | <u>47,538</u> | <u>49,736</u> |

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

| | 1 January 2022 £000 | 2 January 2021 £000 |
|---|---------------------------|---------------------------|
| Profit on ordinary activities before tax | <u>299,562</u> | <u>302,410</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | 56,917 | 57,458 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 2,730 | 1,253 |
| Adjustments to tax charge in respect of prior periods | - | (2,350) |
| Loss on disposal of fixed assets | 46 | 34 |
| Other differences | 7,195 | 4,361 |
| Dividends from UK companies | (17,100) | (9,500) |
| Adjustment due to tax rate changes | - | 619 |
| Pension payment tax relief | (2,250) | (2,139) |
| Total tax charge for the period | <u>47,538</u> | <u>49,736</u> |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

12. Taxation (continued)

Factors that may affect future tax charges

The main rate of corporation tax increased from 19% to 25%, effective 1 April 2023. This will increase the company's future current tax charge accordingly.

There were no other factors that may affect future tax charges.

13. Dividends

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Dividends paid on ordinary share capital | 250,000 | 160,000 |
| | <u>250,000</u> | <u>160,000</u> |

Dividends of £6.29 per ordinary share (2021: £4.03) were paid in the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

14. Intangible assets

| | Software upgrades £000 |
|---------------------------------------|------------------------------|
| Cost | |
| At 3 January 2022 | 4,231 |
| Additions - internal | 192 |
| Disposals | (276) |
| | <hr/> |
| At 1 January 2023 | 4,147 |
| | <hr/> |
| Amortisation | |
| At 3 January 2022 | 2,767 |
| Charge for the period on owned assets | 581 |
| On disposals | (276) |
| | <hr/> |
| At 1 January 2023 | 3,072 |
| | <hr/> |
| Net book value | |
| At 1 January 2023 | 1,075 |
| | <hr/> |
| At 2 January 2022 | 1,464 |
| | <hr/> |

Software additions during the year included £88,484 of intangibles transferred out of the assets under construction account (see note 17).

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

15. IFRS 16 leases

Company as a lessee

The Company has a large number of operating lease agreements classified under IFRS 16 and it categorises their nature into three main areas: property, vehicle and sortation equipment leases.

They have varying lengths of duration but generally property leases have the longest lifetime (up to 25 years). Sortation equipment leases would typically have a lifetime of 7 years and vehicles between 2 and 8 years dependant on the vehicle type.

Lease liabilities are due as follows:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---------------------------------|---------------------------|---------------------------|
| Not later than one year | 94,707 | 92,465 |
| Between one year and five years | 276,336 | 230,486 |
| Later than five years | 270,891 | 251,007 |
| | <u>641,934</u> | <u>573,958</u> |

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Interest expense on lease liabilities | 20,091 | 18,491 |
| Gain on termination of leases | 56 | (9) |
| Depreciation of Right-of-use leased assets | 106,461 | 97,806 |
| | <u>126,608</u> | <u>116,308</u> |

Company as a lessor

The Company has a small portfolio of properties that are sub-let to other tenants and therefore the Company is classified as the lessor. These are all onerous properties and to help mitigate exposure any cost associated with the head lease is recovered from the tenants.

Operating leases

The following table summarises the undiscounted lease payments receivable after the reporting date.

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Not later than one year | 259 | 160 |
| Total undiscounted lease payments receivable | <u>259</u> | <u>160</u> |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

15. IFRS 16 leases (continued)

Lease income from operating lease contracts in which the Company acts as a lessor is as below:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--------------|---------------------------|---------------------------|
| Lease income | 7 | 16 |

16. Tangible fixed assets

| | Freehold property £000 | Short-term leasehold property £000 | Plant and machinery £000 | Motor vehicles £000 | Office equipment £000 |
|--|------------------------------|---|--------------------------------|---------------------------|-----------------------------|
| Cost or valuation | | | | | |
| At 3 January 2022 | 195,630 | 487,446 | 164,279 | 306,650 | 33,232 |
| Additions | 235 | 50,285 | 22,361 | 108,121 | 1,356 |
| Disposals | (1,806) | (12,542) | (48,008) | (54,440) | (1,105) |
| Transfers between classes | 886 | 2,185 | 2,115 | 89 | 4,728 |
| At 1 January 2023 | 194,945 | 527,374 | 140,747 | 360,420 | 38,211 |
| Depreciation | | | | | |
| At 3 January 2022 | 30,915 | 149,306 | 87,194 | 116,085 | 20,909 |
| Charge for the period on owned assets | 6,239 | 32,656 | 22,725 | 60,965 | 5,039 |
| Disposals | (1,794) | (9,321) | (47,868) | (52,242) | (1,026) |
| At 1 January 2023 | 35,360 | 172,641 | 62,051 | 124,808 | 24,922 |
| Net book value | | | | | |
| At 1 January 2023 | 159,585 | 354,733 | 78,696 | 235,612 | 13,289 |
| At 2 January 2022 | 164,715 | 338,140 | 77,085 | 190,565 | 12,323 |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

16. Tangible fixed assets (continued)

| | Computer equipment £000 | Assets under construction £000 | Total £000 |
|---------------------------------------|-------------------------------|--------------------------------------|---------------|
| Cost or valuation | | | |
| At 3 January 2022 | 40,783 | 15,886 | 1,243,906 |
| Additions | 3,934 | 37,600 | 223,892 |
| Disposals | (910) | - | (118,811) |
| Transfers between classes | 1,154 | (11,246) | (89) |
| At 1 January 2023 | 44,961 | 42,240 | 1,348,898 |
| Depreciation | | | |
| At 3 January 2022 | 26,322 | - | 430,731 |
| Charge for the period on owned assets | 7,276 | - | 134,900 |
| Disposals | (904) | - | (113,155) |
| At 1 January 2023 | 32,694 | - | 452,476 |
| Net book value | | | |
| At 1 January 2023 | 12,267 | 42,240 | 896,422 |
| At 2 January 2022 | 14,461 | 15,886 | 813,175 |

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|------------------------------------|---------------------------|---------------------------|
| Tangible fixed assets owned | 272,411 | 257,102 |
| Right-of-use tangible fixed assets | 624,011 | 556,073 |
| | 896,422 | 813,175 |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

16. Tangible fixed assets (continued)

Information about right-of-use assets is summarised below:

Net book value

| | 1 January 2023 £000 | 2 January 2022 £000 |
|-------------------------------|---------------------------|---------------------------|
| Property | 334,512 | 316,275 |
| Plant and machinery | 56,796 | 52,021 |
| Motor vehicles | 231,665 | 186,043 |
| Office and computer equipment | 1,038 | 1,732 |
| | <u>624,011</u> | <u>556,073</u> |

Depreciation charge for the period ended

| | 1 January 2023 £000 | 2 January 2022 £000 |
|-------------------------------|---------------------------|---------------------------|
| Property | 28,724 | 35,580 |
| Plant and machinery | 16,747 | 22,662 |
| Motor vehicles | 60,220 | 54,500 |
| Office and computer equipment | 770 | 14,118 |
| | <u>106,461</u> | <u>126,860</u> |

Additions to right-of-use assets

| | 1 January 2023 £000 | 2 January 2022 £000 |
|----------------------------------|---------------------------|---------------------------|
| Additions to right-of-use assets | <u>179,771</u> | <u>175,140</u> |

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023

17. Fixed asset investments

| | Investments in subsidiary companies £000 |
|--------------------------|---|
| Cost or valuation | |
| At 3 January 2022 | 56,531 |
| Additions | 272,229 |
| At 1 January 2023 | <u>328,760</u> |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

17. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|--|--------------------------|-----------------------------|--------------------------------|----------------|
| Interlink Express Limited (1) | Reference 1 | Sub-holding company | Ordinary | 100% |
| Interlink Express Parcels Limited (1) | Reference 1 | Dormant | Ordinary | 100% |
| DPD (UK) Limited (1) | Reference 1 | Dormant | Ordinary | 100% |
| GeoPost Ireland Limited (1) | Reference 2 | Dormant | Ordinary | 100% |
| DPD Local UK Ltd (2) | Reference 1 | Transport related services | Ordinary | 100% |
| Interlink Ireland Limited (3) | Reference 2 | Transport related services | Ordinary Redeemable Preference | 100% |
| Dynamic Parcel Distribution Limited (4) | Reference 2 | Dormant | Ordinary | 100% |
| Delivery Investigations Limited (1) | Reference 1 | Dormant | Ordinary | 100% |
| Pie Mapping Software Ltd (1) | Reference 1 | Dormant | Ordinary | 83% |
| DPDgroup UK Pension Trustee Limited (1) | Reference 1 | Pension management services | Ordinary | 100% |
| Project Bolt Newco 1 Limited (1) | Reference 3 | Dormant | Ordinary | 100% |
| Project Bolt Newco 2 Limited (5) | Reference 3 | Holding company | Ordinary | 100% |
| CitySprint (UK) Bidco Limited (6) | Reference 3 | Holding company | Ordinary | 100% |
| CitySprint (UK) Group Limited (7) | Reference 3 | Holding company | Ordinary | 100% |
| The Courier and Passenger Transport Holdings Limited (8) | Reference 3 | Holding company | Ordinary | 100% |
| The Courier and Passenger Transport Group Limited (9) | Reference 3 | Holding company | Ordinary | 100% |
| CitySprint (UK) Limited (10) | Reference 3 | Courier services | Ordinary | 100% |
| On the Dot Technologies Limited (11) | Reference 3 | IT development | Ordinary | 100% |
| CitySprint Courier Services Limited (11) | Reference 3 | Courier services | Ordinary | 100% |
| Last Mile Link Technologies Limited (11) | Reference 3 | Holding company | Ordinary | 100% |
| Transworld Global Courier Limited (11) | Reference 3 | Courier services | Ordinary | 100% |
| Urgent Deliveries Limited (11) | Reference 4 | Courier services | Ordinary | 100% |

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023

17. Fixed asset investments (continued)

Subsidiary undertakings (continued)

- (1) Subsidiaries of DPDgroup UK Ltd
- (2) Subsidiaries of Interlink Express Plc
- (3) Subsidiaries of GeoPost Ireland Limited
- (4) Subsidiaries of Interlink Ireland Limited
- (5) Subsidiaries of Project Bolt Newco 1 Limited
- (6) Subsidiaries of Project Bolt Newco 2 Limited
- (7) Subsidiaries of CitySprint (UK) Bidco Limited
- (8) Subsidiaries of CitySprint (UK) Group Limited
- (9) Subsidiaries of The Courier and Passenger Transport Holding Limited
- (10) Subsidiaries of The Courier and Passenger Transport Group Limited
- (11) Subsidiaries of CitySprint (UK) Limited

Registered offices

The registered office address of the subsidiaries marked reference 1 is Roebuck Lane, Smethwick, West Midlands, B66 1BY.

The registered office address of the subsidiaries marked reference 2 is Athlone Business Park, Dublin Road, Athlone, Co Westmeath, 28406.

The registered office address of the above subsidiaries marked reference 3 is Red Central, 60 High Street, Redhill, RH1 1SH.

The registered office address of the above subsidiaries marked reference 4 is Unit 500 Metroplex Business Park, Salford, Greater Manchester, England, M50 2UE.

The country of incorporation for all subsidiaries is the United Kingdom apart from GeoPost Ireland Limited, Interlink Ireland Limited and Dynamic Parcel Distribution Limited (4), whose country of incorporation is Ireland.

CitySprint

On the 11th January 2022 DPDgroup UK Ltd, a subsidiary of the Company, announced that CitySprint Group became part of the wider DPD Group, following the Competition and Markets Authority's (CMA) approval of the deal on 16 December 2021. The total purchase consideration was £272,228,669.

Subsidiary closures

The following dormant subsidiaries of DPDgroup UK Ltd were dissolved with Companies House during the period ending 1 January 2023:

Mail Plus Limited - dissolved 13th September 2022

Dynamic Parcel Distribution Limited - dissolved 20th September 2022

Mpie Limited - dissolved 22nd March 2022

Pie Mapping Ltd - dissolved 22nd March 2022

Impairment testing

The carrying values of investments are tested for impairment annually and if there are indications that the carrying value may not be recoverable. This is done by calculating discounted cash flows using group recommended discount rates.

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

17. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Discounted cash flow assumptions take into account key customer profit and growth forecasts, any decline in business performance and growth in the international market.

The Directors have concluded that no investment value is impaired at forecasted cash flows levels and therefore no impairment has occurred in the period.

New subsidiary

DPDgroup UK Pension Trustee Limited, a subsidiary of the Company, was incorporated on 4 August 2023. Its main activity is other activities auxiliary to insurance and pension funding.

Subsidiary changes

On the 21st July 2022 Geopost UK Limited, a dormant company, changed its name to Delivery Investigations Limited.

On the 17th August 2023 Interlink Express Plc, formerly registered as a public company, re-registered as a private company and is now incorporated under the name Interlink Express Limited.

18. Stocks

| | 1 January 2023 £000 | 2 January 2022 £000 |
|-------------------------------|---------------------------|---------------------------|
| Raw materials and consumables | 7,985 | 7,684 |
| | <u>7,985</u> | <u>7,684</u> |

In the opinion of the directors, the disclosure of stock recognised as an expense would be seriously prejudicial to the interest of the Company.

19. Debtors

| | 1 January 2023 £000 | 2 January 2022 £000 |
|-------------------------------------|---------------------------|---------------------------|
| Due after more than one year | | |
| Other debtors | 259 | 160 |
| | <u>259</u> | <u>160</u> |

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023

19. Debtors (continued)

| | 1 January 2023 £000 | 2 January 2022 £000 |
|------------------------------------|---------------------------|---------------------------|
| Due within one year | | |
| Trade debtors | 175,348 | 177,593 |
| Amounts owed by group undertakings | 74 | 74 |
| Other debtors | 3,502 | 3,444 |
| Prepayments and accrued income | 29,864 | 30,956 |
| Tax recoverable | 1,953 | 130 |
| | <u>210,741</u> | <u>212,197</u> |

There are no contractual agreements relating to amounts owed by group undertakings, which are repayable on demand.

20. Cash and cash equivalents

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--------------------------|---------------------------|---------------------------|
| Cash at bank and in hand | 43,734 | 142,051 |
| | <u>43,734</u> | <u>142,051</u> |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

21. Creditors: Amounts falling due within one year

| | 1 January 2023 £000 | 2 January 2022 £000 |
|------------------------------------|---------------------------|---------------------------|
| Trade creditors | 145,442 | 149,506 |
| Amounts owed to group undertakings | 363,952 | 182,087 |
| Other taxation and social security | 19,869 | 12,493 |
| IFRS 16 lease liabilities | 94,707 | 92,465 |
| Other creditors | 46,331 | 53,138 |
| Accruals and deferred income | 51,080 | 39,792 |
| | <u>721,381</u> | <u>529,481</u> |

There are no contractual agreements relating to amounts owed to group undertakings, which are repayable on demand.

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Other taxation and social security | | |
| PAYE/NI | 12,842 | 12,159 |
| VAT | 7,027 | 334 |
| | <u>19,869</u> | <u>12,493</u> |

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023

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

| | 1 January 2023 £000 | 2 January 2022 £000 |
|------------------------------------|---------------------------|---------------------------|
| Lease liabilities | 547,227 | 481,493 |
| Amounts owed to group undertakings | 5,800 | 5,800 |
| | <u>553,027</u> | <u>487,293</u> |

Interest is charged at 5.34% on a loan of £5,800,000 from Geopost SA. This loan is repayable in April 2024.

IFRS 16 lease liabilities falls within various nature categories, each with varying discount rates and payment terms and therefore it is not feasible to disclose the terms of each individual lease arrangement. The minimum discount rate is 0.95% and the maximum is 7.32%.

The aggregate amount of liabilities repayable wholly or in part more than five years after the reporting date is:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| IFRS 16 lease liabilities | | |
| Repayable by installments | 276,336 | 251,006 |
| | <u>276,336</u> | <u>251,006</u> |
| Total amounts due after more than five years | <u>276,336</u> | <u>251,006</u> |

The material amount due after more than five years for IFRS 16 lease liabilities falls within the property lease classification and attracts a minimum discount rate of 1.64% and a maximum discount rate of 5.96%. The Company has a vast portfolio of property leases and therefore it is not feasible to disclose the terms of each individual lease arrangement.

All lease liabilities due after more than five years will be repayable by the year 2047.

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

23. Financial instruments

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | 43,734 | 142,051 |
| Financial assets that are debt instruments measured at amortised cost | 179,183 | 181,142 |
| | <u>222,917</u> | <u>323,193</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | (1,203,459) | (964,487) |

Financial assets measured at fair value through profit or loss comprise of cash in hand, at bank and forward contracts.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings, IFRS 16 lease receivables and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group undertakings, IFRS 16 lease liabilities and other creditors.

24. Deferred taxation

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| At beginning of period | (2,579) | 4,246 |
| Charge to profit or loss | (7,195) | (4,980) |
| Credit/(charge) to other comprehensive income | 7 | (1,845) |
| At end of period | <u>(9,767)</u> | <u>(2,579)</u> |

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023

24. Deferred taxation (continued)

The deferred tax liability is made up as follows:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Accelerated capital allowances | (4,759) | (524) |
| IFRS 16 transitional reserve movement | 829 | 829 |
| Defined benefit pension | (4,374) | (1,421) |
| Revaluation surplus (undistributable reserves) | (1,463) | (1,463) |
| | <u>(9,767)</u> | <u>(2,579)</u> |

25. Called up share capital

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Authorised, allotted, called up and fully paid | | |
| 39,744,536 (2021: 39,744,536) Ordinary shares of £1.00 each | 39,745 | 39,745 |

26. Reserves

Share premium account

The share premium account amounted to £119,000 as at 1 January 2023 (£119,000 2 January 2022).

Profit and loss account

Profit and loss reserve includes non-distributable reserves of £4,386,000, net of tax, as at 1 January 2023 (2 January 2022: £4,386,000), which relates to an old revaluation reserve upon transition to FRS 101. This has been presented separately in the Financial Statements.

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

27. Capital commitments

At 1 January 2023 the Company had capital commitments as follows:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Contracted for but not provided in these financial statements | 23,890 | 19,110 |
| | <u>23,890</u> | <u>19,110</u> |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

28. Pension commitments

In the UK, the Company operates a Group defined benefit pension scheme, The DPDgroup UK Ltd Pension Scheme, which was closed to new members in April 1999. The Group also operates two defined contribution schemes.

The Scheme's investments are managed by Columbia Threadneedle Investments (previously known as BMO) as the fiduciary manager. The investment strategy is agreed by the Trustees after taking appropriate advice. Subject to the investment strategy set by the Trustees, day to day management of the Scheme's portfolio, which includes full discretion over the investments held within the Private sub-fund, is the responsibility of the investment managers. The scheme also holds an insurance policy with the Pensions Insurance Corporation.

For pension disclosure purposes, the Company is deemed to be the principal employer for the defined benefit scheme. The contributions are determined by Hymans Robertson LLP, a professionally qualified actuary on the basis of triennial valuations using the projected unit method.

The main assumptions used to determine the defined benefit obligation are disclosed further in this note.

Reconciliation of present value of plan liabilities:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--|---------------------------|---------------------------|
| Reconciliation of present value of plan liabilities | | |
| At the beginning of the year | 203,459 | 206,762 |
| Current service cost | 1,811 | 1,648 |
| Interest cost | 3,599 | 3,028 |
| Actuarial (gains) / losses | (68,838) | 215 |
| Contributions | 474 | 504 |
| Benefits paid | (7,367) | (8,698) |
| At the end of the period | 133,138 | 203,459 |

Reconciliation of present value of plan assets:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|----------------------------------|---------------------------|---------------------------|
| At the beginning of the year | 209,140 | 195,208 |
| Interest income | 3,901 | 3,026 |
| Contributions | 13,826 | 13,414 |
| Benefits paid | (7,367) | (8,698) |
| Actual (loss) / return on assets | (68,866) | 6,190 |
| At the end of the period | 150,634 | 209,140 |

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

28. Pension commitments (continued)

Composition of plan assets:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|--------------------------------------|---------------------------|---------------------------|
| Equities & insurance contracts | 901 | 18,459 |
| Diversified Growth Funds & LDI Funds | 148,525 | 182,031 |
| Cash and cash equivalents | 1,208 | 8,650 |
| Total plan assets | 150,634 | 209,140 |
| | 1 January 2023 £000 | 2 January 2022 £000 |
| Present value of plan assets | 150,634 | 209,140 |
| Present value of plan liabilities | (133,138) | (203,459) |
| Net pension scheme asset | 17,496 | 5,681 |

The amounts recognised in profit or loss are as follows:

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Current service cost | 1,811 | 1,648 |
| Interest on obligation | 3,599 | 3,028 |
| Interest income on plan assets | (3,901) | (3,026) |
| Total amounts charged to the Profit and Loss Account | 1,509 | 1,650 |

The Company expects to contribute £3,958,000 to its defined benefit pension scheme in 2023.

None of the scheme assets are invested in any securities issued by DPDgroup UK Ltd or any property or other assets currently used by DPDgroup UK Ltd.

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

28. Pension commitments (continued)

| | 1 January 2023 £000 | 2 January 2022 £000 |
|---|---------------------------|---------------------------|
| Analysis of actuarial (loss) / gain recognised in Other Comprehensive Income | | |
| Actual return less interest income included in net interest income | (68,866) | 6,190 |
| Changes in assumptions underlying the present value of the scheme liabilities | 68,838 | (215) |
| | <u>(28)</u> | <u>5,975</u> |

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

| | 1 January 2023 % | 2 January 2022 % |
|---|------------------------|------------------------|
| Discount rate | 4.76 | 1.80 |
| Future salary increases | 2.40 | 2.55 |
| Future pension increases | 2.40 | 2.55 |
| Retail Price Inflation assumption | 3.35 | 3.35 |
| Mortality rates | | |
| - for a male aged 65 now | 21.1 | 21.3 |
| - at 65 for a male aged 45 now | 22.8 | 23.0 |
| - for a female aged 65 now | 23.4 | 23.8 |
| - at 65 for a female member aged 45 now | 25.0 | 25.7 |

Curtailments and settlements

We have not been advised of any material curtailments or settlements during the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

28. Pension commitments (continued)

Pension sensitivity

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate, life expectancy and inflation. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate was 0.5% higher the defined benefit net asset would increase by £7.3m (2021: £14.5m).

If the discount rate was 0.5% lower the defined benefit net asset would decrease by £8.1m (2021: £16.5m).

If the life expectancy increased by one year for both men and women the actuarial valuation of the liability would increase by £5.3m (2021: £8.1m).

If inflation increased by 0.5% the actuarial valuation of the liability would increase by £5.4m (2021: £9.3m).

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Contributions

The Company contributes 24% of members pensionable earnings to the defined benefit scheme. Employees on the Grade 1 scheme contribute 13.1% and employees on the Grade 2 scheme contribute 9.5%.

The Company also pays annual special contributions per the Schedule of Contributions dated 29th June 2009. Special contributions of £12m were paid on 24 January 2022 and £0.5m on 6 December 2022. The Company has committed to future payments of £3m in 2023.

Pension risk

The pension benefits that will ultimately be paid to members of the Scheme will depend on the rate of future inflation and longevity of the Scheme's members, amongst other unknowns. The ultimate cost to the Company of paying these benefits, will depend on the long term future investment returns achieved on the Scheme's investments.

To mitigate the risk of the pension scheme the Company works closely within the Trustees to manage the Scheme in a prudent manner. The Company and the Trustees have implemented a number of changes to the Scheme over the past few years with the aim of reducing variability in the Scheme's investment strategy by gradually moving the investment in growth assets to less risky assets as the Scheme's funding level improves.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2023**

28. Pension commitments (continued)

GMP equalisation impact

An allowance for GMP equalisation was made at the 2018 and 2019 year end dates. This equated to 1.7% of the Scheme liabilities.

Following a court ruling on 20 November 2020, for period ending 3 January 2021 an allowance was made for the estimated impact of GMP equalisation on the historic transfer values paid prior to the 30 December 2018 disclosures.

The allowance made in respect of historic transfers was £283,000 and was recognised through the Profit and Loss Account as a past service cost for period ended 3 January 2021.

As these amounts have previously been recognised, and are now within the Defined Benefit Obligation, no further allowance has been made this year.

The GMP equalisation project is ongoing and the amount recognised may need to be updated once the project is completed, but any amount is not expected to be material.

29. Commitments under operating leases

At 1 January 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

Lease payments for 1 January 2023 within Other expiring includes £nil (2021: nil) of vehicle operating leases that do not fall under IFRS 16 lease classification and subsequently not reported in note 15.

30. Related party transactions

As the Company is a wholly owned subsidiary undertaking, advantage has been taken of the exemption under FRS 101 and balances and transactions with wholly owned entities forming part of the group have not been disclosed.

The Company was not invoiced (2021: £nil) during the year by Pie Mapping Software Ltd in respect of software development services, as the subsidiary is now dormant.

At the year end the amount owed to Pie Mapping Software Ltd was £nil (2021: £nil).

31. Events after the reporting period

There are no other significant events after the year-end that have not been reflected in these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
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32. Ultimate parent undertaking and controlling party

The Company is wholly owned by GeoPost Intermediate Holdings, a company incorporated in the United Kingdom.

The smallest group in which the results of the Company are consolidated is headed by GeoPost SA, a company incorporated in France.

The largest group in which the results of the Company are consolidated is headed by La Poste, the ultimate parent company, a company incorporated in France. The consolidated financial statements of these groups are available to the public and may be obtained from the registered offices as follows:

La Poste,
9 rue du Colonel Pierre Avia,
75015,
Paris,
France.