

**Company registration number: 00965783**

**DHL PARCEL UK LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2019**



**DHL PARCEL UK LIMITED**

**Contents of Report and Financial Statements**

**For the year ended 31 December 2019**

---

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
Strategic Report	1 - 6
Directors' Report	7 - 15
Independent Auditors' Report	16 - 18
Statement of Comprehensive Income	19
Balance Sheet	20
Statement of Changes in Equity	21
Notes to the Financial Statements	22 - 51

The directors' present the strategic report of the Company for the year ended 31 December 2019.

## **PRINCIPAL ACTIVITIES**

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

Copies of the consolidated financial statements of the Deutsche Post DHL Group can be accessed online at [dpdhl.com/en/investors](http://dpdhl.com/en/investors).

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

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

The directors present their strategic report for the year ended 31 December 2019.

## **BUSINESS REVIEW**

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

For the year ended 31 December 2019 the Company recorded a profit before taxation of £531,000 (Year ended 31 December 2018: loss before taxation of £17,771,000) on revenue of £470,524,000 (Year ended 31 December 2018: £479,114,000).

The company continues to be in a strong financial position, with net assets of £39,496,000 (2018: £38,848,000) at the year end.

## **KEY PERFORMANCE INDICATORS**

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

**Parcels**

Revenues increased 3.4% to £295,679,000 in the year ended 31 December 2019 (year ended 31 December 2018: £286,064,000) in Parcels, which comprises the Company's business-to-business (B2B), business-to-consumer (B2C), courier operations and international parcel delivery services.

Parcels operating margin for the year increased to 10.1% (Year ended 31 December 2018: 1.7%) resulting in operating profit for the year of £29,906,000 (Year ended 31 December 2018: £4,773,000).

Both 2018 and 2019 have been impacted by business restructuring, closure of non-core activities and impairment of fixed assets. There were sale and leaseback transactions in 2019. The company has continued the high investment programme in the Parcel business with the goal to improve our customer experience and competitiveness of our operations.

**Mail**

Mail revenues of £174,845,000 for the year ended 31 December 2019 (Year ended 31 December 2018: £193,050,000) decreased by 9.4%.

The mail operating margin for the year decreased to 0.3% (Year ended 31 December 2018: 2.0%) resulting in operating profit for the year of £546,000 (Year ended 31 December 2018: £3,902,000).

Whilst our Mail business has benefitted from the overall improvement in our operation, the decrease in revenue is caused by the closure of non-core activities and the general volume reduction in the Mail market. Pricing, also remained highly competitive.

We have continued our investment program for Mail.

**Central Costs**

The company incurred central costs of £27,722,000 during the year ending 31 December 2019 (Year ending 31 December 2018: £24,314,000). We have continued our investment in our central operations during the year to provide the basis for future growth within the Deutsch Post DHL Group. Particular areas of focus have been IT and restructuring costs for further headcount reductions in our administrative functions.

**Net exceptional costs**

Net exceptional income for the year ended 31 December 2019 was £12,180,000 (Year ended 31 December 2018: £6,765,000 net cost). An income of £15,933,000 was realised relating to the sale and leaseback of four properties. During 2019 a cost of £3,753,000 was incurred relating to head office restructuring and closure of non-core operations.

## **Principal risks and uncertainties**

### ***Cyber Security***

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

### ***Other IT risks***

Reliance is placed upon the proper functioning of the Company's IT systems for the effective running of operations. Any prolonged interruption to these could have a materially adverse effect on its operations, financial performance and future prospects. The Company has a Business Continuity Plan ('BCP') in the event of IT systems failure, and undertakes annual penetration tests, addressing any resultant issues identified. As mentioned above, networks are protected by firewalls and anti-virus protection. Systems are backed up, and offsite disaster recovery facilities exist in the event that a major issue affects one of our key locations.

### ***Brexit risks***

Now that the UK has exited the EU the company has not seen, as yet, any significant impact on exiting of employees from the business. The Company is helping and assisting any employee who is from an EU country to try and obtain settled status if applicable and has provided all information required for any employee to go through this process. The Company will continue to monitor and will review and assist as required. Whilst the outcome of the final deal remains unknown there remains a potential risk of a reduction in cross border trade. To this end the Company, in conjunction with other Group entities, participates in topic-specific working groups to agree contingency plans.

### ***Business continuity risks***

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

***Legislative and regulatory risks***

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

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

***Competition risk***

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

***Personnel risks***

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

#### **COVID-19**

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in government and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus.

COVID-19 poses a safety risk to our employees, driver availability and bad debt. The company has invested in personal protective equipment to safeguard its employees as well as implementing other distancing measures in line with Government guidelines.

#### **Section 172 Statement**

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

##### ***Interests of the company***

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

##### ***Employees***

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

##### ***Customers***

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

##### ***Environment and community***

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

**Section 172 Statement (continued)**

***Environment and community (continued)***

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

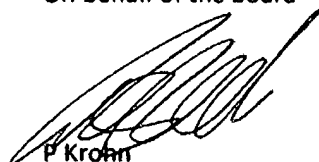
***Business conduct***

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

***Fair treatment of members***

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

On behalf of the board



P Krohn  
Director

12 June 2020



The directors' present their report and audited financial statements for the year ended 31 December 2019.

**RESULTS AND DIVIDENDS**

The Company's profit for the financial year was £579,000 (Year ended 31 December 2018: Loss of £13,970,000). No dividends were paid or declared during the year. The directors do not propose a final dividend (Year ended 31 December 2018: £nil).

The profit for the financial year of £579,000 (Year ended 31 December 2018: Loss of £13,970,000) has been transferred to reserves.

**DIRECTORS**

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

P Fuller  
P Krohn  
S Laird  
C Mangham (Resigned 23 September 2019)

**CHARITABLE AND POLITICAL DONATIONS**

The Company made charitable donations of £20,000 during the year ended 31 December 2019 (Year ended 31 December 2018: £20,000). The Company made no political donations (Year ended 31 December 2018: £nil).

**EMPLOYMENT POLICY**

The Company, as a whole, places considerable value on the involvement of its employees and ensures they are kept informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and continuation of the DHL Group magazine. In addition all employees participate in an annual Employee Opinion Survey and all managers and colleagues focus on follow up actions based on this employee feedback throughout the year.

The Employee Communication Group empowers employees to make a significant contribution to bringing about change to the day to day activities of the Company. It provides managers and employees with a forum to discuss and resolve matters of mutual concern.

The Company actively encourages the development of all their employees and has a number of programmes that can assist in achieving this at all levels in the business including e-learning. The Company's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled persons according to their aptitudes and abilities and the retention and retraining of employees who may become disabled during their employment.

The Company is an equal opportunities employer and holds an 'Investors in People' certificate.

**EMPLOYMENT POLICY (continued)**

The average number of staff employed during 2019 was 2,979 compared to 2,914 in the previous year. In 2019 staff costs excluding restructuring measures increased to £84,410,000 (2018: £81,257,000).

**CORPORATE GOVERNANCE ARRANGEMENTS**

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

**FUTURE DEVELOPMENTS**

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

**GOING CONCERN**

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

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

**STAKEHOLDER ENGAGEMENT**

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

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

**STAKEHOLDER ENGAGEMENT (continued)**

***Customers***

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

What matters:

- Understanding and support our customers' business
- Maintaining a high service level
- Handling the customers' product with care
- Service performed safely

How we engage:

- Regular customer contact through our account managers
- Ongoing customer survey
- Direct marketing and communication

What we are doing:

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

***Employees***

We involve and listen to employees to help us maintain strong employee engagement and retain talented people

What matters:

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

How we engage:

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

## **STAKEHOLDER ENGAGEMENT (continued)**

### ***Employees (continued)***

#### **What we are doing:**

- Monitoring employee engagement through the employee survey and acting on feedback to improve engagement
- Reviewing policies and procedures to improve employee happiness
- Operating learning, development, mentoring and coaching support scheme to support employees in their developmental needs. This is supplemented by a development review process.
- In 2019 the company restructured its administrative functions. Various consultations and employee groups were conducted between senior management and employees during this process.

### ***Governing bodies and regulators***

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

#### **What matters:**

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

#### **How we engage:**

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

#### **What we are doing:**

- Regular reports from our business on regulatory issues and engagement, especially around health and safety and compliance
- Maintain an open relationship

### ***Suppliers***

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

#### **What matters:**

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

## STAKEHOLDER ENGAGEMENT (continued)

### *Suppliers (continued)*

How we engage:

- Regular reviews
- Locally through the site managers

What we are doing:

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

## FINANCIAL RISK MANAGEMENT

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

### *Market risk*

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

### *Credit risk*

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

The Company has no significant concentrations of credit risk. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated, with no one customer accounting for more than 7% of trade receivables. The Company has implemented policies that require appropriate credit checks on potential customers before sales commence and strict credit control of outstanding amounts. Trade credit insurance is employed to protect any significant exposure to bad debts.

**FINANCIAL RISK MANAGEMENT (continued)**

***Price risk***

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

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

***Interest rate risk***

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

***Liquidity risk***

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

***Capital risk***

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

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

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

***Foreign exchange risk***

The Company is not significantly exposed to the effects of fluctuations in exchange rates since all income is in sterling and costs denominated in foreign currency, principally the Euro, represent less than 2% of all expenditure.

There would have been a material impact on profit before tax or equity in the year ended 31 December 2019 or year ended 31 December 2018, had Sterling strengthened or weakened 10% against the Euro.

**DIRECTORS' INDEMNITIES**

The Company maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its directors' and officers' (including former directors' and officers who have held office during the year ended 31 December 2019) in the discharge of their duties. This is a qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006.

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

**POST BALANCE SHEET EVENTS**

Post year end the Company sold a freehold property which is detailed in note 26.

The COVID-19 epidemic has had a positive impact on our financial results in 2020 (note 26).

**Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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.

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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



**DHL PARCEL UK LIMITED**

**DIRECTORS' REPORT**

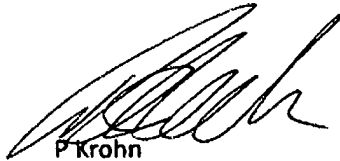
**For the year ended 31 December 2019**

---

**Independent auditors**

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

On behalf of the board

A handwritten signature in black ink, appearing to be 'P Krohn', written over a horizontal line.

**P Krohn**

**Director**

**12 June 2020**

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

For the year ended 31 December 2019

---

**Report on the audit of the financial statements**

---

**Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income and statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

---

**Basis for opinion**

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

*Independence*

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

---

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

**For the year ended 31 December 2019**

---

**Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

---

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 14, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**For the year ended 31 December 2019**

---

*Auditors' responsibilities for the audit of the financial statements*

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

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

*Use of this report*

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

---

**Other required reporting**

---

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Alex Hookway (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
12 June 2020

**DHL PARCEL UK LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2019**

	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Revenue	3	470,524	479,114
Cost of sales		(411,316)	(426,656)
<b>Gross profit</b>		<b>59,208</b>	<b>52,458</b>
Administrative expenses before exceptional items		(68,657)	(61,332)
<b>Operating loss before exceptional items</b>		<b>(9,449)</b>	<b>(8,874)</b>
Sale and leaseback of property	4	15,933	-
Impairment of assets	4	-	(6,765)
Restructuring	4	(3,753)	-
<b>Total exceptional items</b>	4	<b>12,180</b>	<b>(6,765)</b>
<b>Operating profit/(loss)</b>	5	<b>2,731</b>	<b>(15,639)</b>
Finance income	6	33	48
Finance costs	6	(2,233)	(2,180)
<b>Profit/(loss) before taxation</b>		<b>531</b>	<b>(17,771)</b>
Tax on profit/(loss)	8	48	3,801
<b>Profit/(loss) for the financial year</b>		<b>579</b>	<b>(13,970)</b>
<b>Total comprehensive income/(expense) for the year</b>		<b>579</b>	<b>(13,970)</b>
<b>Total comprehensive income/(expense) attributable to:</b>			
Equity owners of the Company		579	(13,970)

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

## DHL PARCEL UK LIMITED

## BALANCE SHEET

Registered number: 00965783

As at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	6,064	7,801
Property, plant and equipment	10	55,319	62,928
Right-of-use assets	11	56,149	59,573
Trade and other receivables	12	2,464	2,017
		<u>119,996</u>	<u>132,319</u>
<b>Current assets</b>			
Inventories	13	232	237
Trade and other receivables	12	57,433	55,908
Non-current assets held for sale	14	804	-
Cash and cash equivalents	15	2,434	12,955
		<u>60,903</u>	<u>69,100</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	16	(11,943)	(33,982)
Trade and other payables	17	(82,021)	(82,305)
Provisions	19	(2,014)	(618)
		<u>(95,978)</u>	<u>(116,905)</u>
<b>Net current liabilities</b>		<u>(35,075)</u>	<u>(47,805)</u>
<b>Non-current liabilities</b>			
Borrowings	16	(41,539)	(42,255)
Deferred tax liabilities	18	(2,464)	(2,017)
Provisions	19	(1,422)	(1,394)
		<u>(45,425)</u>	<u>(45,666)</u>
<b>Net assets</b>		<u>39,496</u>	<u>38,848</u>
<b>Equity</b>			
Ordinary shares	20	1	1
Retained earnings		39,495	38,847
<b>Total equity</b>		<u>39,496</u>	<u>38,848</u>

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

The financial statements on pages 19 to 51 were approved by the board of directors on 12 June 2020 and were signed on its behalf by:

  
P Krohn  
Director

**DHL PARCEL UK LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2019**

	Ordinary shares £'000	Retained earnings £'000	Total equity £'000
<b>Balance as at 1 January 2018</b>	<b>1</b>	<b>52,812</b>	<b>52,813</b>
Loss for the financial period	-	(13,970)	(13,970)
<b>Total comprehensive expense for the financial period</b>	<b>-</b>	<b>(13,970)</b>	<b>(13,970)</b>
Employees' share option scheme: - value of employee services (Note 21)	-	5	5
<b>Total transactions recorded directly to equity</b>	<b>-</b>	<b>5</b>	<b>5</b>
<b>Balance as at 31 December 2018</b>	<b>1</b>	<b>38,847</b>	<b>38,848</b>

	Ordinary shares £'000	Retained earnings £'000	Total equity £'000
<b>Balance as at 1 January 2019</b>	<b>1</b>	<b>38,847</b>	<b>38,848</b>
Profit for the financial year	-	579	579
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>579</b>	<b>579</b>
Employees' share option scheme: - value of employee services (Note 21)	-	69	69
<b>Total transactions recorded directly to equity</b>	<b>-</b>	<b>69</b>	<b>69</b>
<b>Balance as at 31 December 2019</b>	<b>1</b>	<b>39,495</b>	<b>39,496</b>

**1 General information**

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

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

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

**2 Principal accounting policies**

**Accounting policies for the year ended 31 December 2019**

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

**Basis of preparation**

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

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

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



**2 Principal accounting policies (continued)**

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

**Going concern**

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

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

**New standards, amendments and IFRIC interpretations**

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019. This standard was early adopted by the company in the prior year.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

**Intangible assets**

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

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

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

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

**Property, plant and equipment**

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

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

**Depreciation**

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

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

Freehold land is not depreciated.

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

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

**2 Principal accounting policies (continued)**

**Impairment of non-financial assets**

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

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

**Inventories**

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

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

**Non-current assets held for sale**

A non-current asset is held for sale when the following are met:

- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

Non-current assets will be stated at the lower of the carrying amount and fair value less cost to sell. Depreciation of the asset ceases on reclassification to non-current assets held for sale. In the event the carrying amount exceeds the fair value less cost to sell the asset will be impaired, through the statement of comprehensive income, in the year of reclassification to non-current assets held for sale.

**2 Principal accounting policies (continued)**

**Leases**

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

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

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

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

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

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

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

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

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

**2 Principal accounting policies (continued)**

**Revenue**

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

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

All other income is reported as other operating income.

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

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

All revenues are stated net of value added tax.

**Cost of sales**

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

**2 Principal accounting policies (continued)**

**Administrative expenses**

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

**Taxation**

**(i) Current tax**

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

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

**(ii) Deferred tax**

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

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

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

**2 Principal accounting policies (continued)**

**Taxation (continued)**

**(ii) Deferred tax (continued)**

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

**Pension costs**

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

**Foreign currencies**

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

**Share-based payments**

Prior to its acquisition by Deutsche Post AG, the Company, as a subsidiary of the then listed UK Mail Group plc, offered a number of share incentive schemes to its executives and employees. The costs of equity-settled share-based payments were recognised in the statement of comprehensive income with a corresponding increase in equity over the vesting period as services were provided to the Company.

The charge was based on the fair value of the equity instrument granted and the number of equity instruments that were expected to vest. The fair value was measured at grant date and took into account vesting conditions that related to the market price of the ultimate parent company's shares. In order to determine the value of the instrument a pricing model relevant to the type of instrument was used.

Where the Company was charged for the cost of share-based payment arrangements the amounts were treated as a reduction in the capital contribution. If the amount charged was in excess of the share-based payment charge the Company treated the excess as a notional distribution and charged this to retained earnings.

**2 Principal accounting policies (continued)**

**Share-based payments (continued)**

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

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

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

**Provisions**

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

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



**2 Principal accounting policies (continued)**

**Contingent assets**

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

**Contingent liabilities**

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

**Exceptional items**

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

**Dividends**

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

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

**Share capital**

Ordinary shares are classified as equity.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**2 Principal accounting policies (continued)****Financial instruments**

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

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

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

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

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

**3 Revenue****a) Revenue by Geography**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
UK	<b>461,349</b>	470,336
Europe	<b>6,660</b>	5,455
Rest of World	<b>2,515</b>	3,323
	<b><u>470,524</u></b>	<b><u>479,114</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**3 Revenue (continued)**

## b) Revenue by Category

	2019 £'000	2018 £'000
Parcel	295,679	286,064
Mail	174,845	193,050
	<u>470,524</u>	<u>479,114</u>

**4 Exceptional items**

	2019 £'000	2018 £'000
Property sale and Leaseback	15,933	-
Exceptional income	<u>15,933</u>	<u>-</u>
Impairment of non-current assets	-	(6,765)
Restructuring	(3,753)	-
Exceptional costs	<u>(3,753)</u>	<u>(6,765)</u>
Net exceptional income/(cost)	<u>12,180</u>	<u>(6,765)</u>

**Exceptional income (Year ended 31 December 2019)**

During 2019 the company entered into a sale and leaseback agreement of four properties. Part of the gain has been spread over the life of the lease in accordance with IFRS 16.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**4 Exceptional items (continued)****Exceptional Cost (Year ended 31 December 2018)****Impairment of non-current assets**

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

**Exceptional Cost (Year ended 31 December 2019)****Restructuring**

During 2019 the business restructured its operations. This involved a reduction in head office employees and closure of a subset of the operation within both the Parcel and Mail division. As a result of this the business incurred employee severance costs and scrapped some associated intangible assets.

**5 Operating profit/(loss)**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
The following items have been charged/(credited) in arriving at operating profit/(loss):		
Royal mail access costs	<b>142,346</b>	152,139
Subcontractor costs	<b>122,112</b>	119,221
Employee benefits expense (note 7)	<b>84,410</b>	81,257
Cost of inventories (included in costs of sales)	<b>12,189</b>	11,289
Depreciation of property, plant and equipment (note 10 and 11)		
- Owned assets and right of use	<b>20,844</b>	18,662
Amortisation of intangibles (included in administrative expenses) (note 9)		
- Owned assets	<b>2,972</b>	4,280
Other lease expenses		
Short-term leases	<b>2,457</b>	3,973
Low-value asset leases	<b>191</b>	171
Variable lease payments	<b>(136)</b>	6

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

**For the year ended 31 December 2019**

**5 Operating profit/(loss) (continued)**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Repairs and maintenance expenditure on property, plant and equipment	<b>8,126</b>	6,590
Loss on foreign currency translation	<b>141</b>	122
Operating lease rentals receivable		
- Plant and machinery	<b>(549)</b>	(539)
- Computer equipment	<b>(60)</b>	(102)
Impairment of intangible assets (note 4)	-	5,942
Impairment of property, plant and equipment (note 4)	-	823
Impairment of trade receivables (included in administrative expenses)	<b>428</b>	331

**Services provided by the Company's auditors**

During the year the Company obtained the following services from the Company's auditors:

Fees payable on behalf of UK Mail Group Limited  
Fees payable to the Company's auditors for the statutory audit of the Company's financial statements

<b>8</b>	<b>8</b>
<b>140</b>	<b>137</b>
<b>148</b>	<b>145</b>

<b>6 Net finance costs</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable on:		
In-house bank	<b>23</b>	8
Bank deposits	<b>10</b>	40
<b>Finance income</b>	<b>33</b>	<b>48</b>
Interest payable on:		
Right of use assets (under IFRS 16)	<b>(2,133)</b>	(2,075)
Factoring arrangements	<b>(70)</b>	(79)
Other	<b>(30)</b>	(26)
<b>Finance costs</b>	<b>(2,233)</b>	<b>(2,180)</b>
<b>Net finance costs</b>	<b>(2,200)</b>	<b>(2,132)</b>

Details of the Company's in-house bank arrangements are detailed in note 15.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**7 Employees and directors**

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>72,171</b>	71,130
Social security costs	<b>7,825</b>	7,107
Other pension costs *	<b>4,345</b>	3,015
Share-based payments (Note 21)	<b>69</b>	5
	<b>84,410</b>	<b>81,257</b>

\* Post-employment benefits all relate to defined contribution pension schemes. At the year-end there was a payment of £381,000 (31 December 2018 £290,000) outstanding.

Compensation paid for loss of office amounted to £276,000 including payment in lieu of notice.

**Average monthly number of persons employed (including executive directors)**

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Operations	<b>2,772</b>	2,666
Administration	<b>207</b>	248
	<b>2,979</b>	<b>2,914</b>

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directors' emoluments</b>		
Aggregate emoluments	<b>1,411</b>	1,568
Post-employment benefits	<b>112</b>	61
	<b>1,523</b>	<b>1,629</b>

The highest paid director was paid £499,000 (2018: £471,000). In addition, Company pension contributions of £84,000 were taken as a salary supplement (2018: £39,000).

Pension contributions were made in respect of two (2018: three) directors; paid as a supplement to the directors' salaries.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**8 Tax on profit/(loss)**

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

	2019 £'000	2018 £'000
<b>Current tax</b>		
Reversal of current tax accrual	(48)	(536)
<b>Total current tax</b>	<u>(48)</u>	<u>(536)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	166	(782)
Impact of changes in tax rates	49	20
Adjustments in respect of prior years	232	(486)
UK deferred tax indemnified by Exel Limited (Note 18)	(447)	(2,017)
<b>Total deferred tax</b>	<u>-</u>	<u>(3,265)</u>
<b>Total tax on profit/(loss) for the year</b>	<u>(48)</u>	<u>(3,801)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**8 Tax on profit/(loss) (continued)****Reconciliation of tax charge**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are explained below:

	2019 £'000	2018 £'000
Profit / (loss) on ordinary activities before taxation	<u>531</u>	<u>(17,771)</u>
<b>Profit / (Loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)</b>	<b>101</b>	<b>(3,376)</b>
Effects of:		
Expenses not allowable for UK tax	75	44
Income not subject to UK tax	(3,045)	-
Capital allowances in excess of depreciation	1,908	(250)
Chargeable gains	2,045	-
Rollover/ holdover relief against investment in assets in other group companies	(2,045)	-
Impact of changes in tax rates	49	20
Group relief surrendered to other group companies	1,127	2,800
Reversal of current tax accrual	(48)	(536)
Adjustments in respect of prior years	232	(486)
Movement on UK deferred tax indemnified by Exel Limited	(447)	(2,017)
<b>Total tax per income statement</b>	<u><b>(48)</b></u>	<u><b>(3,801)</b></u>

**Tax rate changes**

The standard rate of Corporation Tax in the UK was reduced from 19% to 17% from 1 April 2020 by section 46 Finance Act 2016. These rates were in force at the balance sheet date and therefore any deferred tax assets and liabilities included in the financial statements reflect these rates. However, it was announced in the Budget on 11 March 2020 that legislation was to be introduced to cancel the rate cut to 17%. The impact of this proposed cancellation of the reduction in the corporation tax rate on the company's deferred tax is disclosed in the deferred tax note.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**9 Intangible assets**

	Acquired software licences £'000	Software development cost £'000	Total £'000
<b>Cost</b>			
At 1 January 2019	6,961	12,070	19,031
Additions	186	2,029	2,215
Scrapped	(88)	(1,522)	(1,610)
At 31 December 2019	7,059	12,577	19,636
<b>Accumulated amortisation</b>			
At 1 January 2019	6,495	4,735	11,230
Charge for the year	479	2,493	2,972
Scrapped	(61)	(569)	(630)
At 31 December 2019	6,913	6,659	13,572
<b>Net book value at 31 December 2019</b>	146	5,918	6,064
<b>Net book value at 31 December 2018</b>	466	7,335	7,801

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**10 Property, plant and equipment**

	Freehold land and buildings £'000	Short leasehold building £'000	Motor vehicles, plant and equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>					
<b>At 1 January 2019</b>	<b>45,953</b>	<b>3,207</b>	<b>36,556</b>	<b>10,663</b>	<b>96,379</b>
Additions	-	124	2,947	2,433	5,504
Assets held for sale transfer	(1,462)	-	-	-	(1,462)
Disposals	(7,876)	-	-	-	(7,876)
<b>At 31 December 2019</b>	<b>36,615</b>	<b>3,331</b>	<b>39,503</b>	<b>13,096</b>	<b>92,545</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2019</b>	<b>7,540</b>	<b>1,387</b>	<b>17,937</b>	<b>6,587</b>	<b>33,451</b>
Charge for the year	750	444	3,448	2,575	7,217
Assets held for sale transfer	(658)	-	-	-	(658)
Disposal	(2,784)	-	-	-	(2,784)
<b>At 31 December 2019</b>	<b>4,848</b>	<b>1,831</b>	<b>21,385</b>	<b>9,162</b>	<b>37,226</b>
<b>Net book value at 31 December 2019</b>	<b>31,767</b>	<b>1,500</b>	<b>18,118</b>	<b>3,934</b>	<b>55,319</b>
<b>Net Book value at 31 December 2018</b>	<b>38,413</b>	<b>1,820</b>	<b>18,619</b>	<b>4,076</b>	<b>62,928</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**11 Right of Use Assets**

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

## a) Amounts recognised in the statement of financial position

	2019 £'000	2018 £'000
<b>Right of use assets</b>		
Buildings	39,379	43,889
Motor, plant and machinery	16,770	15,684
	<u>56,149</u>	<u>59,573</u>
<b>Lease liabilities</b>		
Current	11,943	10,982
Non-current	41,539	42,255
	<u>53,482</u>	<u>53,237</u>

Additions to the right of use assets during the 2019 financial year were £10,463,000

## b) Amounts recognised in the income statement

	2019 £'000	2018 £'000
<b>Depreciation</b>		
Buildings	8,471	7,744
Motor, plant and machinery	5,156	4,216
	<u>13,627</u>	<u>11,960</u>
Gain arising from sale and leaseback	15,933	-
Interest (Expense)	(2,133)	(2,075)
(Expenses) relating to short-term leases	(2,457)	(3,973)
(Expenses) relating to low value leases	(191)	(171)
Income/(Expenses) relating to variable leases	136	(6)
<b>Future minimum leases payments at 31 Dec 2019</b>		
Not later than one year	13,746	12,939
Later than one year and not later than five years	33,948	31,865
Later than five years	12,221	15,894
Total gross payments	<u>59,915</u>	<u>60,698</u>
Impact of finance expenses	(6,433)	(7,461)
Carrying amount of liability	<u>53,482</u>	<u>53,237</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**12 Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	<b>44,880</b>	45,386
less: provision for impairment	<b>(633)</b>	(507)
Trade receivables - net of provisions for impairment	<b>44,247</b>	44,879
Other receivables	<b>3,999</b>	3,315
Prepayments and accrued income	<b>9,187</b>	7,714
	<b>57,433</b>	55,908
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due after more than one year:		
Other receivable	<b>2,464</b>	2,017

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

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

Other receivables due after more than one year relates to the indemnification asset of £2,464,000 (2018: £2,017,000) due from Exel Limited for the company's UK deferred tax liability.

**13 Inventories**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Fuel stock	<b>232</b>	237

**14 Non-current assets held for sale**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Non-current assets held for sale	<b>804</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**14 Non-current assets held for sale (continued)**

During 2018 it was decided to consolidate activities from a freehold location in Leeds to other existing locations within the company portfolio. The asset was then made ready for sale and in December 2019 reclassified as a non-current asset held for sale when the sale was imminent. At this point depreciation of the asset ceased. The sale completed and ownership transferred to the new freehold owner in January 2020. The carrying value of the assets are stated in the balance sheet at 31 December 2019.

**15 Cash and cash equivalents**

	2019 £'000	2018 £'000
Cash at bank and in hand	<u>2,434</u>	<u>12,955</u>

The Company participates in the Deutsche Post DHL in-house bank facility whereby the majority of the Company's cash is pooled with the Corporate Treasury department in Bonn on a daily basis. Other balances are held with Lloyds Banking Group plc. For the year ended 31 December 2019, interest of between 0.00% and 0.40% was receivable on cash in hand balances (31 December 2018: 0.00% and 0.40%), and interest charged on borrowings range between 1.16% and 2.75% (Year ended 31 December 2018: 1.16% to 2.5%).

**16 Borrowings**

	2019 £'000	2018 £'000
<b>Current</b>		
Amounts due within one year or on demand:		
Loan from fellow group undertaking	-	23,000
Finance lease obligations	<u>11,943</u>	<u>10,982</u>
	<u>11,943</u>	<u>33,982</u>
<b>Non-current</b>		
Finance lease obligations	<u>41,539</u>	<u>42,255</u>

The loan from fellow group undertaking bore no interest and was repaid in 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**16 Borrowings (continued)**

The future minimum lease payments under finance leases fall due as follows:

	2019 £'000	2018 £'000
<b>Amounts payable under finance leases</b>		
Within one year	13,746	12,939
Between one and five years	33,948	31,865
Over five years	12,221	15,894
Total minimum lease payments	59,915	60,698
Future finance charges	(6,433)	(7,461)
Present value of finance leases	53,482	53,237

**17 Trade and other payables**

	2019 £'000	2018 £'000
Trade payables	32,960	38,181
Amounts owed to group undertakings	13,526	13,645
Amounts owed to franchisees	916	921
Other payables	7,689	8,354
Taxes and social security	8,913	10,624
Accruals	17,141	10,545
Deferred income	876	35
	82,021	82,305

Amounts owed to group undertakings do not bear interest.

**18 Deferred tax**

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

	2019 £'000	2018 £'000
Accelerated capital allowances	(2,900)	(2,649)
Other timing differences	436	632
Net deferred tax liability	(2,464)	(2,017)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**18 Deferred tax (continued)**

Deferred tax is calculated at rates between 17% and 19% (2018: between 17% and 19%).

**Provision for liabilities**

	2019 £'000	2018 £'000
At 1 January	2,017	3,265
Charge to income statement	447	(1,248)
At 31 December	<u>2,464</u>	<u>2,017</u>

The company had a net deferred tax liability at 31 December 2019 of £2,464,000 (2018: £2,017,000) which has been recognised in the financial statements.

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

No significant reversal of the deferred tax liability is expected in 2020.

An announcement was made in the Budget on 11 March 2020 that the reduction in corporation tax rate from 19% to 17% which was to come into effect from 1st April 2020 and which was enacted at the balance sheet date would be cancelled. The impact of the change once enacted will be to increase the recognised deferred tax liability/recognised deferred tax asset to £2,755,000

**19 Provisions**

	Lease dilapidations £'000	Tax on staff incentives £'000	Litigation £'000	Total £'000
At 1 January 2019	1,974	38	-	2,012
Charged to the income statement	663	(8)	1,299	1,954
Utilised in the year	-	(19)	(511)	(530)
At 31 December 2019	<u>2,637</u>	<u>11</u>	<u>788</u>	<u>3,436</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**19 Provisions (continued)**

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

	2019 £'000	2018 £'000
Current	2,014	618
Non-current	1,422	1,394
	<u>3,436</u>	<u>2,012</u>

Lease dilapidations represent the anticipated expenditure resulting from the Company's contractual obligations to make good properties prior to reversion of the building to the landlord in respect of leases expiring within one year and up to 12 years. The timing of outflows is variable and is dependent not only on property lease expiry dates, and opportunities to surrender leases, but repair programmes and the results of negotiation. The tax on staff incentive provision relates to the anticipated tax liability arising following the issue of awards and vouchers to employees including long service awards.

The litigation provision represents a small number of potential litigation matters which have been created during and prior to 2019. The outflow will be determined either by out of court settlement or in court judgment.

**20 Ordinary shares**

	2019 £'000	2018 £'000
Authorised, issued, allotted and fully paid 1,000 (31 December 2018: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

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

Under the PSP shares are issued to participants at the end of the waiting period based on the achievement of demanding performance targets (details of which can be found in the Annual Report of Deutsche Post AG for the year ended 31 December 2019).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

The value of the PSP is measured using actuarial methods based on option pricing models (fair value measurement). The PSP's are measured at each reporting date and at the settlement date. As a result, a charge of £69,000 was recognised (Year ended 31 December 2018: a charge of £5,000).

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

	<b>2019 Tranche</b>	<b>2018 Tranche</b>	<b>2017 Tranche</b>	<b>2016 Tranche</b>
Issue date	1 September 2019	1 September 2018	1 September 2017	1 September 2016
Exercise price (€)	€28.88	€31.08	€34.72	€28.18
Waiting period expires	31 August 2023	31 August 2022	31 August 2021	31 August 2020
Risk-free interest rate	-0.90%	-0.39%	-0.48%	-0.62%
Initial dividend yield of Deutsche Post Shares	4.33%	3.70%	3.31%	3.73%
Yield volatility of Deutsche Post shares	21.38%	22.39%	23.03%	23.94%

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

**Share matching scheme ('SMS')**

The following table provides further details on the SMS tranches:

	<b>2019 Tranche</b>	<b>2018 Tranche</b>	<b>2017 Tranche</b>
Grant date of incentive shares and associated matching shares	1 Dec 2019	-	1 Dec 2017
Grant date of matching shares awarded for investment shares	1 Apr 2020	1 Mar 2019	1 Apr 2018
Term - months	52	52	52
End of term	Mar 2024	Jun 2023	Mar 2022
Share price at grant date (fair value) (€):			
Incentive shares and associated matching shares	€33.29	-	€39.26
Matching share and awarded for investment shares	€34.00	€27.30	€34.97

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

**22 Contingent liabilities**

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

**23 Capital and other financial commitments**

	2019 £'000	2018 £'000
<b>Contracts placed for future capital expenditure not provided in the financial statements</b>		
Intangible assets	260	54
Property, plant and equipment	31	89
	<u>291</u>	<u>143</u>

**24 Ultimate parent undertaking and controlling party**

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

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

**25 Critical accounting judgements and key sources of estimation uncertainty**

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

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

**Exceptional items**

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

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

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

**Capitalisation of intangible assets**

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

**Right of use assets**

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

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

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

**Taxation**

The Company has, from time to time, deferred tax assets and/or deferred tax liabilities. Judgement is required in the assessment of the future recoverability of deferred tax assets, as to both quantum and timing, and the probability, timing and size of any deferred tax liabilities that may become payable.

**b) Key sources of estimation uncertainty**

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

**Recoverability of trade receivables**

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

**Provisions**

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

**26 Post-balance sheet events**

The directors have evaluated subsequent events from the year end through to 12 June 2020 which is the date the Annual Report and Financial Statements were approved. The following events have been identified as the significant post-balance sheet events that require disclosure:

During 2019 a freehold property in Leeds was put up for sale due to no longer having a strategic use for the business. An offer for £1.8mn was accepted in December 2019 and the sale of the property completed in January 2020. The gain on disposal was £0.9mn.

In the first half of 2020 the COVID-19 epidemic has driven increased volumes and revenues through the company as the market for E-Commerce has increased during the UK wide lockdown. Based on the advice of the FRC, for 2019 year ends there is general consensus that COVID-19 is a non-adjusting event for the vast majority of UK entities. Therefore, the Company is not required to adjust the amounts that appear in the accounts unless events after the balance sheet date call seriously into question the validity of the going concern assumption.