

Annual Report and Financial Statements

DHL INTERNATIONAL (UK) LIMITED

(Registered Number: 01184988)

For the year ended 31 December 2008



DHL International (UK) Limited

Contents

	Page(s)
Company information	1
Directors' report	2 - 4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 18

DHL International (UK) Limited

Company information

Directors	K McCall M Masoud
Secretary	Orbital Secretaries Limited
Company number	01184988
Registered office	Orbital Park 178 - 188 Great South West Road Hounslow Middlesex TW4 6JS
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Registered Auditors The Atrium 1 Harefield Road Uxbridge UB8 1EX

DHL International (UK) Limited

Directors' report

For the year ended 31 December 2008

The directors submit their annual report and the audited financial statements of the company for the year ended 31 December 2008.

Business review and principal activities

The principal activity of the company during the year was the provision of express delivery services. The company intends to continue in this business, with an emphasis on international services.

Turnover increased by 2.2% to £418,071,000 in 2008 from £409,016,000 in 2007 due to growth in customer volumes. The cost of sales has increased by 4.5% from £323,856,000 in 2007 to £338,516,000 in 2008. The increase in cost of sales is disproportionate to the increase in sales revenue as a result of a more expensive product mix.

Administrative costs have increased by 1.9% from £73,276,000 in 2007 to £ 74,642,000 in 2008 which was in line with expectations.

The result of higher cost of sales this year is that operating profit has decreased from £12,384,000 in 2007 to £5,058,000 in 2008.

Future outlook

The external commercial environment is expected to remain competitive in 2009 as other national and international express delivery businesses continue to invest in their operations in an effort to expand their market share. However, we remain confident that we will maintain our current level of performance in the future.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly the principal risks and uncertainties of Deutsche Post A.G. which include those of the company are discussed on pages 85 to 93 of the group's annual report which does not form part of this report.

Results and dividends

The profit for the year amounted to £5,940,000 (2007: £13,398,000 profit). The company did not pay an interim dividend in 2008 (2007: £2.96 per ordinary share amounting to £9,000,000). The directors do not recommend the payment of a final dividend (2007: £nil) and accordingly the profit of £5,940,000 (2007: £4,398,000) has been added to reserves.

DHL International (UK) Limited

Directors' report (continued)

For the year ended 31 December 2008

Employment policies

The company has continued its practice of keeping employees informed on a regular basis of current activities, progress and general matters of interest in the business through personal briefings, the in-house magazine and newsletters.

The company makes every effort to comply with statutory requirements concerning the employment of disabled persons. All decisions with regard to appointment, promotion and training are, so far as possible, made on the basis of personal merit, without regard to a person's disability. If a member of staff becomes disabled the company continues employment wherever possible and arranges retraining.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

C Muntwyler (resigned 31 March 2008)	D R Allen OBE (resigned 25 June 2008)
M Masoud (appointed 3 March 2008)	K McCall (appointed 6 May 2008)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in pricing risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Pricing risk

The company is exposed to commodity price risk as a result of its operations. The company has a policy of entering into long-term pricing agreements to manage the exposure to commodity price risk. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on customers before sales are made.

Liquidity risk

The company currently has no requirements for debt finance but maintains sufficient funds for operations.

Interest rate cash flow risk

The company has interest bearing assets in the form of cash balances.

Post balance sheet event

The trading activity and some net assets of a European road based business called Day Definite International, were transferred into the company from a fellow group subsidiary, DHL Express (UK) Ltd on 1 January 2009. This internal sale of a business as a going concern was made in 2 parts; net liabilities of £4.5m on 1 January 2009 and net debtors balances of £4.1m on 1 March 2009. All amounts were transferred at book values.

DHL International (UK) Limited

Directors' report (continued)

For the year ended 31 December 2008

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors 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.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Independent auditors

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

By Order of the Board

Orbital Secretaries Limited

Secretary

Date: 23/10/2009.

Independent auditors' report to the members of DHL International (UK) Limited

We have audited the financial statements of DHL International (UK) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Company information page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Uxbridge

Date

23 October 2009.

DHL International (UK) Limited

Profit and loss account For the year ended 31 December 2008

	Note	2008 £000	2007 £000
Turnover	1, 2	418,071	409,016
Cost of sales		(338,516)	(323,856)
Gross profit		79,555	85,160
Administrative expenses		(74,642)	(73,276)
Other operating income		145	500
Operating profit	3	5,058	12,384
Interest receivable and similar income	6	896	1,016
Interest payable and similar charges	7	(14)	(2)
Profit on ordinary activities before taxation		5,940	13,398
Tax on profit on ordinary activities	8	-	-
Profit on ordinary activities after taxation		5,940	13,398
Dividends – on equity shares	9	-	(9,000)
Retained profit for the financial year	18	5,940	4,398

All results are derived from the continuing activities of the company.

The company has no recognised gains and losses in the years other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the years stated above and their historical cost equivalents.

The notes on pages 7 to 18 form part of these financial statements.

DHL International (UK) Limited

Balance Sheet

As at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	10,177	5,389
Investments	11	1	1
		10,178	5,390
Current assets			
Debtors	12	74,139	77,481
Cash at bank and in hand		28,148	14,008
		102,287	91,489
Creditors: amounts falling due within one year	14	(65,311)	(58,335)
Net current assets		36,976	33,154
Total assets less current liabilities		47,154	38,544
Provisions for liabilities	16	(8,040)	(5,387)
Net assets		39,114	33,157
Capital and reserves			
Called up share capital	17	3,042	3,042
Profit and loss account	18	36,072	30,115
Total shareholders' funds	19	39,114	33,157

The financial statements on pages 5 to 18 were approved by the board on 23rd October 2009 signed on its behalf by;

Director

Hesham

M. Masoud

DHL International (UK) Limited

Notes to the financial statements For the year ended 31 December 2008

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently are set out below.

(a) Turnover

Turnover represents the amount billed to customers for services provided during the financial year exclusive of Value Added Tax. Turnover is recognised upon the collection of shipments from customers, and when the amount of revenue can be reliably measured. Estimates for future billing adjustments to turnover and debtors are recognised at the time of shipment for certain discounts and billing corrections and are netted off against turnover.

(b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation together with any incidental expense of acquisition. Depreciation is calculated to write off the cost of the assets less their residual values on a straight-line basis over their estimated useful economic lives at the following rates:

Leasehold property	- 10% to 20%
Plant and equipment	- 5%
Machinery, furniture & property	- 10% to 20%
Motor vehicles	- 25%
IT equipment	- 25%

(c) Investments

Investments held as fixed assets are stated at cost. Where it is deemed necessary impairment is carried out by the directors annually.

(d) Hire purchase commitments and leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of an asset, then the lease is treated as a finance lease. Assets acquired under hire purchase contracts or on finance leases are capitalised in the balance sheet and are depreciated over their estimated useful economic lives or the term of lease, whichever is shorter. The interest element of rental obligations is charged to the profit and loss account over the period of the lease contracts and represents a constant proportion of the balance of the capital repayments outstanding. The risks and rewards are transferred at the end of the lease.

Rentals arising on operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(e) Taxation

The company does not provide for UK corporation tax or deferred tax because a fellow group undertaking, Exel Limited, has undertaken to discharge the Company's liability to UK corporation tax.

(f) Foreign exchange translation

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies at the year end are translated at the rates of exchange ruling at the balance sheet date and any exchange differences are taken to the profit and loss account.

DHL International (UK) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2008

1 Accounting policies (continued)

(g) Pension fund

The company is a participating employer in two defined contribution pension schemes to which all full time employees, subject to pension fund rules, are eligible to become members. The assets of these schemes are held separately from those of the company in independently administered funds. The pension cost charge disclosed in note 4 represents contributions payable by the company to the fund.

(h) Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Deutsche Post AG, incorporated in Germany and is included in its consolidated financial statements which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms in Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Deutsche Post AG group or investees of the Deutsche Post AG group.

(i) Provisions

In accordance with Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets", provisions for leasehold property obligations are recorded for the current estimated liability for rent and associated costs of vacant properties and properties that are sublet at a shortfall of rental income compared with rental expense. The company also provides against its estimated dilapidation commitments. Provisions are made on a property-by-property basis and the timing of utilisation will differ for each property.

The costs are based on the current state of the properties and reviewed annually. Amounts provided are discounted taking into account the time value of money.

(j) Sublet income

The company earns on a monthly basis income on sublet property which is credited to the profit and loss account and is shown as other operating income.

(k) Share-based payments

In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on an estimate of the options that will eventually vest.

The related equity instruments are issued by the ultimate parent undertaking, Deutsche Post AG, and as such the share capital of the company is unaffected. The credit arising as a result of the charge recorded in the profit and loss account each year is taken directly to reserves and therefore the net impact on reserves and equity shareholders' funds at any point in time as a result of adopting FRS 20 is £nil.

(l) Exemption from preparing consolidated accounts

The company is a wholly-owned subsidiary of Deutsche Post AG and is included in the consolidated financial statements of Deutsche Post AG which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 228 of the Companies Act 1985.

DHL International (UK) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2008

2 Turnover

In the opinion of the directors, disclosure of turnover by geographical market would be prejudicial to the interests of the business. Consequently, disclosure in accordance with Schedule 4 of the Companies Act 1985 has not been made. Disclosure under the Statement of Standard Accounting Practice Number 25 is not required as its parent undertaking provides segmental information in accordance with this standard in its financial statements.

3 Operating profit

Operating profit is stated after charging/ (crediting) the following:-

	2008 £000	2007 £000
Depreciation on owned assets	2,985	1,37
Equipment rental	974	631
Operating lease rentals – plant and machinery	7,378	7,688
Operating lease rentals – other	5,731	5,916
Exchange losses	145	71
Auditors' remuneration – Audit fees	126	123

No fees were payable to auditors for non-audit services in tax and consultancy in 2008 (2007: £nil).

4 Staff costs

Employees' remuneration (including directors) and related costs during the financial year amounted to:

	2008 £000	2007 £000
Wages and salaries	70,192	70,919
Social security costs	6,570	6,857
Other pension costs (Note 22)	1,776	1,382
Charge for equity-settled, share-based payments - Incentive schemes (note 1 (k))	17	30
	78,555	79,188

DHL International (UK) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2008

4 Staff costs (continued)

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

By activity	2008 Number	2007 Number
Operations	2,081	2,179
Sales & Marketing	821	725
Administration	289	329
	3,191	3,233

5 Directors' emoluments

	2008 £000	2007 £000
Aggregate emoluments	651	691
Company contributions paid to money purchase pension schemes in respect of 1 (2007: 1) director	43	30
	694	721
Highest paid director		
Aggregate emoluments	328	691
Company contributions paid to money purchase pension schemes	26	30
	354	721

6 Interest receivable and similar income

	2008 £000	2007 £000
Group interest received	896	1,016
	896	1,016

7 Interest payable and similar charges

	2008 £000	2007 £000
Interest on finance lease	14	2
	14	2

DHL International (UK) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2008

8 Taxation on profit on ordinary activities

For the year ended 31 December 2008 a fellow group undertaking Exel Ltd is responsible for discharging the company's liability to UK corporation tax therefore no provision has been made for UK corporation tax or deferred tax.

	2008 £000	2007 £000
Current tax		
UK corporation tax at 28.5% (2007: 30%)	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Deferred tax credit – origination and reversal of timing differences (Note 13)	-	-
Adjustments in respect of prior periods	-	-
Total tax on profit on ordinary activities	-	-

The tax assessed for the year differs from the standard rate of corporation tax in the UK 28.5% (2007:30%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before taxation	5,940	13,398
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	1,693	4,019
Factors affecting tax for the year:		
Expenses not deductible for tax purposes	205	52
Non taxable income	-	(22)
Accelerated tax depreciation	672	(596)
Other timing differences	61	287
Group relief	(2,532)	(3,741)
Compensating adjustment - interest	(99)	-

The rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profit for this accounting period taxed at an effective rate of 28.5%. Profits or losses of future periods will be taxed at 28%.

No deferred tax asset is recognised because the Company's UK corporation tax liabilities are borne by Exel Limited, and as such no economic benefit accrues to the Company under the UK tax group's Centralised Tax Accounting arrangements. Deferred tax is calculated at a rate of 28% (2007 28%).

A summary of the Company's net unrecognised deferred tax asset is shown in note 13.

DHL International (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2008

9 Dividends

	2008 £000	2007 £000
On equity shares		
No interim dividend paid (2007: £2.96 per £1 share)	-	9,000

10 Tangible assets

	Leasehold Improvements £000	Plant and Equipment £000	Machinery, Furniture and Property £000	Motor Vehicles £000	IT Equipment £000	Total £000
Cost						
At 1 January 2008	10,603	8,847	4,774	818	8,943	33,985
Additions	953	1,202	332	49	5,355	7,891
Disposals	(1)	(7)	-	-	(17)	(25)
At 31 December 2008	11,555	10,042	5,106	867	14,281	41,851
Accumulated depreciation						
At 1 January 2008	9,412	7,583	4,632	545	6,424	28,596
Charge for the year	327	282	77	73	2,326	3,085
Disposals	-	(1)	-	-	(6)	(7)
At 31 December 2008	9,739	7,864	4,709	618	8,744	31,674
Net book value						
At 31 December 2008	1,816	2,178	397	249	5,537	10,177
At 31 December 2007	1,191	1,264	142	273	2,519	5,389

The cost and accumulated depreciation of machinery, furniture and property held under finance leases at 31 December 2008 was £170,000 (2007: £170,000) and £167,000 (2007: £167,000) respectively.

11 Investments

	£000
Cost	
At 1 January 2008 and 31 December 2008	1

The company's investment represents 500 £1 ordinary shares amounting to a 10% holding in Courier Facilities Limited, a private limited company incorporated in the United Kingdom.

DHL International (UK) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2008

12 Debtors

	2008 £000	2007 £000
Trade debtors	63,045	69,069
Amounts owed by group undertakings	1,960	4,918
Prepayments and accrued income	9,134	3,494
	<u>74,139</u>	<u>77,481</u>

Amounts owed by Group undertakings are unsecured, interest bearing and payable on demand.

13 Deferred tax asset

A summary of the Company's net unrecognised deferred tax asset is as follows:	2008 £000	2007 £000
Accelerated tax depreciation	2,557	2,841
Other timing differences	2,027	1,037
Net deferred tax asset	<u>4,584</u>	<u>3,878</u>

14 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	12,511	5,931
Amounts owed to group undertakings	22,140	19,918
Obligation under finance leases (Note 15)	-	8
Taxation and social security	9,645	11,355
Other creditors	5,939	6,250
Accruals	15,076	14,873
	<u>65,311</u>	<u>58,335</u>

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

DHL International (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2008

15 Obligation under finance leases

	2008 £000	2007 £000
Future minimum payments under finance lease are as follows:		
Within one year	-	8
In more than one year, but not more than 5 years	-	-
Total gross payments	-	8

16 Provisions for liabilities

	Provision for restructuring £000	Provision for Leasehold property Obligations £000	Total £000
At 1 January 2008	207	5,180	5,387
Charged to the profit and loss account	2,461	192	2,653
At 31 December 2008	2,668	5,372	8,040

The provision for restructuring relates to rent obligations and obligations to reinstate leased buildings to their original state as a result of the restructuring referred to in the directors' note.

The provision for leasehold property obligations relates to the rent and associated costs of vacant properties and properties that are sublet at a shortfall of rental income compared with rental expense and it is calculated after taking into account the time value of money at a rate of 5.50%. The property leases have expiry dates that range from December 2008 to June 2055.

The provision for leasehold property obligations includes the estimated dilapidation costs associated with the company's obligations to reinstate leased buildings to their original state, under property leases, which have expiry dates that range from June 2004 to June 2055.

17 Called up share capital

	2008 £000	2007 £000
5,000,000 (2007: 5,000,000) authorised ordinary shares of £1 each	5,000	5,000
3,042,000 (2007: 3,042,000) allotted, called up and fully paid ordinary shares of £1 each	3,042	3,042

DHL International (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2008

18 Reserves

Profit and loss account	£000
At 1 January 2008	30,115
Retained profit for the financial year	5,940
Credit for the cost of options charged to the profit and loss account (note 1 (k))	17
At 31 December 2008	36,072

Share Option Scheme

The ultimate holding company, Deutsche Post A.G., has made grants to eligible participants in the years 2001 to 2005 of share options in Deutsche Post stock under Stock Option Plans (SOPS). The stock options issued can only be exercised within a two year period following the expiration of the lock-up period of three years after the relevant grant date. The options can only be exercised if the absolute or relative performance targets have been satisfied at the end of the lock-up period. Unexercised options lapse after the end of the exercise period.

The absolute performance target depends on the performance of Deutsche Post stock during the performance period, and is deemed to have been satisfied if the increase in the price of Deutsche Post stock exceeds 10, 15, 20, or 25% or more (expressed as the final price divided by the exercise price). The relative performance target is tied to the performance of the shares versus the performance of the Dow Jones EURO STOXX Total Return Index. The relative performance target is satisfied if the performance of the Deutsche Post stock during the above mentioned period matches the performance of the Index or outperforms it by at least 10%.

Each option entitles the holder to either purchase one share in Deutsche Post or to receive a cash settlement in the amount of the difference between the exercise price and the average price of the stock during the last five trading days prior to the exercise date, at the Board of Management's discretion.

Starting in fiscal year 2002 the SOP has been measured using investment techniques by applying option pricing model (fair value measurement). The cost attributable to the company participants, who were first granted options in 2003, in the scheme is £17,242 reported above. The cumulative amount recognised by Deutsche Post A.G. at 31 December 2008 is £3,900,000 (2007: £11,800,000).

Share Appreciation Rights

The ultimate holding company, Deutsche Post A.G., has made a grant during they year of share appreciation rights in its shares, to certain employees of the Company. The total number of grants made was 257,640 which have a 3 year vesting period, and which will be settled in cash by the holding company if certain payment thresholds are achieved. These thresholds are of 2 types which are independent of other, a) an increase above a specified level in the group's earnings per share over the vesting period, and b), an increase in the value of Deutsche Post A.G. stock by at least 10% between the grant date and the end of the vesting period. As the obligation for the cash settlement of these awards rests with Deutsche Post A.G. and there is currently no intention to recharge the Company for the cost of these awards, they have not been reported in the Company's profit and loss account. The cumulative amount recognised by Deutsche Post A.G. at 31 December 2008 is £7,800,000 (2007: £9,400,000).

DHL International (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2008

19 Reconciliation of movements in total shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	5,940	13,398
Dividends	-	(9,000)
Net increase shareholders' funds	5,940	4,398
Credit for the cost of options charged to the profit and loss account (note k)	17	30
Opening shareholders' funds	33,157	28,729
Closing shareholders' funds	39,114	33,157

20 Operating leases

The company has annual commitments in respect of non-cancellable operating leases for land and buildings, motor vehicles and computer equipment, as set out below:

	2008 Land and Buildings £000	2008 Other £000	2007 Land and Buildings £000	2007 Other £000
Operating leases which expire:				
- Within 1 year	369	776	552	1,456
- Between 2 and 5 years inclusive	5,522	3,461	5,668	7,385
- After 5 years	368	-	619	-
	6,259	4,237	6,839	8,841

21 Contingent liabilities

The company is included in the DHL Distribution Holdings (UK) Limited group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' unpaid debts in this connection. At 31 December 2008 this liability amounted to £7,417,795.81 (2007: £7,683,230).

22 Pension commitments

The company is a participating employer in two defined contribution pension schemes, whose assets are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company and amounted to £1,775,663 (2007: £1,382,267). Contributions totalling £265,621 (2007: £233,651) were payable to the funds at the year-end and are included in creditors.

23 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is DHL Distribution Holdings (UK) Limited, a company registered in England and Wales.

DHL International (UK) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2008

The ultimate parent undertaking and controlling party is Deutsche Post A.G., a company incorporated in Germany, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated financial statements of Deutsche Post A.G. may be obtained from the registered office of Deutsche Post A.G., Platz der Deutsche Post, Charles-de-Gaulle Strasse 20, 53250 Bonn, Germany.

24 Related party transactions

The ultimate holding company, Deutsche Post A.G., has made a grant during the year, of share appreciation rights in its shares, to certain employees of the Company. The total number of grants made was 257,640 which have a 3 year vesting period, and which will be settled in cash by the holding company if certain payment thresholds are achieved. As a result of the settlement method, the costs of these rights are not considered to be within the scope of FRS 20 and therefore they have not been reported in the Company's profit and loss account.

25 Business case commitments

As at 31 December 2008, DHL International (UK) Limited had a commitment to the value of £26.3m of which £7.7m has been completed. :