

DHL Parcel UK Holding Limited

Annual report and financial statements

for the year ended 31 December 2022

Registered number: 10496066

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DHL Parcel UK Holding Limited

Annual report for the year ended 31 December 2022

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DHL Parcel UK Holding Limited

Directors and advisers

Directors in office at the date of this report Michael James Trimm
Peter Michael Krohn

Company number 10496066

Registered office 120 Buckingham Avenue
Slough,
England,
SL1 4LZ

Independent auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
40 Clarendon Road
Watford Hertfordshire
WD17 1JJ

DHL Parcel UK Holding Limited

Strategic report for the year ended 31 December 2022

The directors present their strategic report and the audited financial statements for the year ended 31 December 2022.

Principal activities and business review

The company was incorporated in United Kingdom and domiciled in England on 24 November 2016 as a private company limited by shares. During the financial year the loss before tax amounted to £6,238,269 (year ended 31 December 2021: loss of £2,115,709).

The company has net liabilities of £21,471,509 as at 31 December 2022 (31 December 2021: £15,233,240).

The principal activity of the company is to hold investment in UK Mail Group Limited.

The directors have performed an impairment review over the investment in UK Mail Group Limited as at 31 December 2022. The recoverable amount was determined based on value-in-use calculations which support the carrying value and consequently no impairment has been recorded. The future cash flow projections assume revenue and margin growth over a six-year period. The key assumptions used in the value-in-use calculations are disclosed in note 3(i) to the financial statements. The directors believe that the forecast future growth is achievable, the trading subsidiary has continued the high investment programme in the parcel business with the goal to improve the customer experience and competitiveness of their operations. Should the subsidiary business however fail to achieve the required growth set out in these projections, the carrying value of the investment would require impairment along with a corresponding charge to the profit and loss account.

Future developments

The external commercial environment for the group is expected to remain competitive in 2023. Further information can be obtained from the annual report and financial statements of the non-dormant subsidiary undertakings.

Principal risks and uncertainties

The company's principal financial instruments comprise intercompany loans from a fellow subsidiary company denominated in pounds sterling. The main purpose of these financial instruments is to provide funding for the company's investment in its subsidiaries. The intercompany loans denominated in pounds sterling are charged at a specific rate of interest, are subject to rollover and are repayable in February 2025.

The principal risks and uncertainties faced by the one active subsidiary owned by the Company, DHL Parcel UK Limited (formerly known as UK Mail Limited), which hence indirectly impacts the Company, together with the main mitigating actions taken are listed below:

- **Cyber security**

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

DHL Parcel UK Holding Limited

Strategic report for the year ended 31 December 2022 (continued)

- **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. DHL Parcel UK Limited has a Business Continuity Plan ('BCP') in the event of IT systems failure; and undertakes annual penetration tests, addressing any resultant issues identified. As mentioned above, networks are protected by firewalls and anti-virus protection. We continue to invest in scalable, secure, stable and resilient technology infrastructure to meet the needs of our organisation and deliver solutions to our customers.

- **Business continuity risks**

DHL Parcel UK Limited 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 DHL Parcel UK Limited's financial performance. To minimise this risk, DHL Parcel UK Limited has a detailed business continuity plan for its Ryton hub with a suite of additional plans for depots and our support functions. We employ an on-site maintenance team at our National Hub and undertake an on-going programme of preventative maintenance and control measures in order to ensure the continued operation and efficiency of the main sortation equipment as far as possible. Sister sites also provide resilience to support and absorb operations in the event of a disruption.

- **Legislative and regulatory risks**

In recent years, there has been an increased focus both by the government and the courts over 'worker status'. Whilst DHL Parcel UK Limited, which avails itself of a large number of agency and sub-contractor workers firmly believes that it is compliant with existing regulation, DHL Parcel UK Limited 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 DHL Parcel UK Limited's customer base.

- **Competition risk**

DHL Parcel UK Limited 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. DHL Parcel UK Limited mitigates this risk through close customer contact, with key account managers regularly undertaking performance reviews; addressing any issues identified.

- **Personnel risks**

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

DHL Parcel UK Holding Limited

Strategic report for the year ended 31 December 2022 (continued)

Stakeholder Engagement

The company has a wide range of stakeholders including government and regulatory bodies, professional bodies, consumers, its parent company and the shareholders of the ultimate parent company. The responsibilities of the directors to stakeholders are met through stakeholder engagement which is done on a group wide basis and would cover the stakeholders of the company.

Our intention is to behave responsibly towards our stakeholders, with due regards to the interest and the matters set out in section 172 of companies Act 2006 in Board discussions and decision making.

Section 172 Statement

The Board is required to act in accordance with a general set of duties detailed in section 172 of the UK Companies Act 2006. In the decisions taken during the year ended 31 December 2022, the Directors have acted in the way they consider, in good faith, would be most likely to promote the success of the company and its continuing reputation for High standards of business conduct, for the benefit of its members as a whole.

The company does not currently have any employees, customers or suppliers.

Key performance indicators

The directors of the company manage the key performance indicators at a group level, and these are discussed in Deutsche Post AG's 2022 annual report which does not form part of this report. The main key performance indicators for the company are considered to be the revenue growth and profitability of its subsidiary undertakings, and these trends are analysed in the review of the business above.

On behalf of the Board



Peter Krohn

Director

25th September 2023

DHL Parcel UK Holding Limited

Directors' report for the year 31 December 2022

The directors present their report and the audited financial statements of the company for the year ended 31 December 2022.

The principal activity of the company is that of an investment holding company.

Future developments

See the strategic report (page 2) for details of the company's future developments.

Results and dividends

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

	2022	2021
	£	£
Loss for the financial year	6,238,269	2,115,709

The directors do not recommend the payment of a dividend during the current year (year ended 31 December 2021: £nil).

Going concern

At 31 December 2022, the company had net liabilities of £21,471,509 (2021: £15,233,240). 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 the Deutsche Post AG, the company's ultimate parent undertaking. Subsequent to the year-end, the term of the unsecured loan was extended, such that the entire loan and interest thereon will not be repayable until February 2025.

Financial risk management

The company is an investment holding company and therefore financial risks are not considered to be materially significant to the company. The company is part of a risk management programme that seeks to limit adverse effects on the financial performance of the company by monitoring the cash flow requirements of the company as part of the wider Deutsche Post Group. The company does not use derivative financial instruments to manage commodity and foreign currency costs and as such no hedge accounting is applied.

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.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

Michael James Trimm
Peter Michael Krohn

DHL Parcel UK Holding Limited

Directors' report for the year ended 31 December 2022(continued)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company) and these were in force during the financial year and they remain in force at the date of approval of the financial statements

Political contributions

The company made no political donations during the year (year ended 31 December 2021: £nil).

Employee

The company did not have any employees during the current year (year ended 31 December 2021: nil).

Statement of directors' responsibilities in respect of the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

DHL Parcel UK Holding Limited

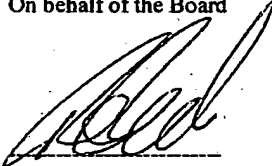
Directors' report for the year ended 31 December 2022(continued)

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.

On behalf of the Board

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

Peter Krohn

25th September 2023

DHL Parcel UK Holding Limited

Independent auditors' report to the members of DHL Parcel UK Holding Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

DHL Parcel UK Holding Limited

Independent auditors' report to the members of DHL Parcel UK Holding Limited (continued)

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

DHL Parcel UK Holding Limited

Independent auditors' report to the members of DHL Parcel UK Holding Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Use of this report

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

DHL Parcel UK Holding Limited

Independent auditors' report to the members of DHL Parcel UK Holding Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
25 September 2023

DHL Parcel UK Holding Limited

Profit and loss account for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Operating result	4	(5,650)	-
Interest payable and similar expenses	5	(6,232,619)	(2,115,709)
Loss before taxation		(6,238,269)	(2,115,709)
Tax on loss	7	-	-
Loss for the financial year		(6,238,269)	(2,115,709)

The results for the year ended 31 December 2022 derive from continuing operations.

The notes on pages 15 to 23 form an integral part of these financial statements.

DHL Parcel UK Holding Limited

Balance sheet as at 31 December 2022

	Note	As at 31 December 2022	As at 31 December 2021
Fixed Assets		£	£
Investments	8	244,232,558	244,238,269
Current liabilities			
Creditors: amounts falling due within one year	9	(265,704,067)	(259,471,509)
Net liabilities		(21,471,509)	(15,233,240)
Capital and reserves			
Called up share capital	10	1	1
Accumulated losses		(21,471,510)	(15,233,241)
Total equity		(21,471,509)	(15,233,240)

The financial statements on pages 12 to 23 were approved by the board of directors and authorised for issue on the 25th September 2023 and are signed on its behalf by:



Peter Krohn
Director
25th September 2023

DHL Parcel UK Holding Limited

Statement of changes in equity for the year ended 31 December 2022

	Issued share capital £	Accumulated losses £	Total equity £
Balance as at 1 January 2021	1	(13,117,532)	(13,117,531)
Loss for the financial year	-	(2,115,709)	(2,115,709)
Balance as at 31 December 2021	1	(15,233,241)	(15,233,240)
Balance as at 1 January 2022	1	(15,233,241)	(15,233,240)
Loss for the financial year	-	(6,238,269)	(6,232,269)
Balance as at 31 December 2022	1	(21,471,510)	(21,471,509)

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

1. General information

DHL Parcel UK Holding Limited is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 120 Buckingham Avenue, Slough, England, SL1 4LZ. The principal activity of the company is an investment holding company.

2. Statement of compliance

The individual financial statements of DHL Parcel UK Holding Limited have been prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. Summary of significant accounting policies

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

a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

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

The company is itself a subsidiary undertaking and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006 on the grounds that it is included in the financial statements of Deutsche Post AG. These financial statements therefore present information about the company as an individual undertaking and not about its group.

b) Going concern

At 31 December 2022, the company had net liabilities of £21,471,509 (2021: £15,233,240). 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 the Deutsche Post AG, the company's ultimate parent undertaking. Subsequent to the year-end, the term of the unsecured intercompany loan from Excel Limited was extended, such that the entire loan and interest thereon will now be repayable until February 2025.

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

3. Summary of significant accounting policies (continued)

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Deutsche Post AG which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

d) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

3. Summary of significant accounting policies (continued)

e) Taxation

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the current period. 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 taxation

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

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

The company has entered into an agreement regarding UK corporation tax payments and refunds with Exel Limited, a fellow group undertaking.

Under the terms of this agreement Exel Limited has undertaken to discharge the current and future UK corporation tax liabilities on behalf of and benefit from any tax recoverable due to, the company. The company recognises its UK corporation tax and deferred tax liabilities but as such liabilities are indemnified by Exel Limited an indemnification asset for the amount due from Exel Limited is also recognised in the balance sheet until the amount is settled on the company's behalf. The net tax charge on the profit or loss on ordinary activities that has been indemnified by Exel Limited is netted against the indemnification amount due from Exel Limited in the profit and loss account.

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.

f) Investment

Investments in subsidiary companies are held at historical cost less accumulated impairment losses. Where there is an indication that assets may be impaired, an impairment review is carried out by the directors.

g) Financial instruments

The company has chosen to adopt the Sections 11, and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

3. Summary of Significant Accounting Policies (continued)

g) Financial instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

3. Summary of significant accounting policies (continued)

h) Related party transactions

The company has taken advantage of the exemptions as provided by section 33.1A of FRS 102 from disclosing related party transactions with wholly owned entities that are part of the Deutsche Post AG group or investees of the Deutsche Post AG Group.

i) Critical accounting judgements and estimation uncertainty

(i) Exercise of judgement in applying the accounting policies

The preparation of FRS 102-compliant financial statements requires the exercise of judgement by management. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances.

(ii) Estimates and assessments made by management

The preparation of the financial statements in accordance with FRS 102 requires management to make certain assumptions and estimates that may affect the amounts of the assets and liabilities included in the Statement of Financial Position and the amounts of income and expenses. An example of the main area where assumptions, estimates and the exercise of management judgement occur is the valuation of fixed asset investments.

The carrying value of the company's fixed asset investments, as detailed in note 8, is reviewed annually and any impairment indicators are considered. All assumptions and estimates are based on the circumstances prevailing and assessments made at the reporting date. For the purpose of estimating the future development of the business, a realistic assessment was also made at that date of the economic environment likely to apply in the future to the different sectors and regions in which the company operates. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities, are adjusted accordingly.

Specifically with regards to the Company's investment in DHL Parcel UK Limited, the future cash flow projections assume revenue and margin growth over a six year period. The directors believe that the forecast future growth is achievable, the trading subsidiary has continued the high investment programme in the parcel business with the goal to improve the customer experience and competitiveness of their operations. The forecast is based on aggressive growth as a result of the investment in a second hub which becomes operational in 2024. Should the business however fail to achieve the required growth, the investment would become impaired. The key assumptions used in the value-in-use calculations were as follows:

Cumulative average revenue growth (2023 through 2028) – 11%

Terminal growth rate (2028 and beyond) – 2%

Post tax discount rate – 10.5%

Should the subsidiary business however fail to achieve the required growth set out in these projections, the carrying value of the £244,232,558 investment would require impairment along with a corresponding charge to the profit and loss account.

j) Future amendments to FRS 102

At the date of preparation of these financial statements, there have been no amendments to FRS 102 that might have an effect on future periods.

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

4. Operating result

Cost of £5,650 for the disposal of DHL e-commerce (Chile) S.A. investment.

Auditors' remuneration of £10,595 for the year (year ended 31 December 2021: £10,090) is being borne by another group entity. There are no non-audit fees for the year (2021: Nil)

5. Interest payable and similar expenses

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Interest payable to group undertakings	6,232,619	2,115,709

6. Directors' remuneration and employee information

During the year, none of the directors received any remuneration in respect of their services to the company (year ended 31 December 2021: £nil). No staff were employed by the company during the year (year ended 31 December 2021: none). The directors were remunerated by another entity within the group. None of these costs were recharged to this entity during the year (year ended 31 December 2021: £nil).

7. Tax on loss on ordinary activities

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

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

7. Tax on loss on ordinary activities (continued)

Reconciliation of tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (year ended 31 December 2021: 19%). The differences are explained below:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Loss on ordinary activities before taxation	(6,238,269)	(2,115,709)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 December 2021: 19%)	(1,185,271)	(401,985)
Effects of:		
Expenses not allowed for UK Tax	1,074	-
Transfer Pricing adjustments	1,123,464	384,408
Group relief surrendered to other group companies	60,733	17,577
Tax charge on loss on ordinary activities	-	-

Tax rate

The standard rate of Corporation Tax in the UK is 19% (2021: 19%)

Finance Act 2021 increased the main rate of corporation tax from 19% to 25% with effect from 1 April 2023.

8. Investments

	£
At January 1, 2022	244,238,269
Disposal of DHL e-commerce (Chile) S.A	(5,711)
At December 31, 2022	244,232,558

The Company holds 100% of the ordinary share capital of the following subsidiary undertakings:

Subsidiary undertaking	Principal activity and country of incorporation	Holding	Registered Address
UK Mail Group Limited	Investment company (England)	100%	120 Buckingham Avenue, Slough, England, SL1 4LZ
DHL Parcel UK Limited	Parcel & mail collection and delivery services (England)	100%*	120 Buckingham Avenue, Slough, England, SL1 4LZ
Business Mail Group Limited	Dissolved – 27 th Dec 2022	100%*	120 Buckingham Avenue, Slough, England, SL1 4LZ
Business Post Group Limited	Dissolved – 27 th Dec 2022	100%*	120 Buckingham Avenue, Slough, England, SL1 4LZ
Business Post Limited	Dissolved – 3 rd Jan 2023	100%*	120 Buckingham Avenue, Slough, England, SL1 4LZ

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

8. Investments continued

UK Mail Limited	Dissolved – 27 th Dec 2022	-	120 Buckingham Avenue, Slough, England, SL1 4LZ
UK Mail Express Parcels and Mail [®] Limited	Dissolved – 27 th Dec 2022	-	120 Buckingham Avenue, Slough, England, SL1 4LZ
UK Today Couriers Limited	Dissolved – 27 th Dec 2022	-	120 Buckingham Avenue, Slough, England, SL1 4LZ
Web-Despatch.com Limited	Dissolved – 27 th Dec 2022	-	120 Buckingham Avenue, Slough, England, SL1 4LZ
DHL e-commerce (Chile) S.A	Dissolved – 23 rd Mar 2022	-	Rio Itata 9651, Parque Industrial Enea, Pudahuel, Santiago

* represents directly held subsidiaries of UK Mail Group Limited.

On 22 December 2016, the company acquired the UK Mail Group Limited by Public offer under The Listing Rules for £244,232,558. The directors have performed an impairment review over the investment in UK Mail Group Limited as at 31 December 2022. The recoverable amount was determined based on value-in-use calculations which support the carrying value and consequently no impairment has been recorded. The future cash flow projections assume revenue and margin growth over a four-year period, with assumed growth rates higher than achieved in recent years. The key assumptions used in the value-in-use calculations are disclosed in note 3(i). The directors believe that the forecast future growth is achievable, the trading subsidiary has continued the high investment programme in the parcel business with the goal to improve the customer experience and competitiveness of their operations, should the subsidiary business however fail to achieve the required growth set out in these projections, the carrying value of the investment would require impairment along with a corresponding charge to the profit and loss account.

9. Creditors: amounts falling due within one year

	2022 £	2021 £
Amounts owed to group undertakings	265,704,067	259,471,509

Amounts owed to group undertakings include an unsecured fixed term loan £245,000,000 charged at 3.2% from Exel Limited. Subsequent to the year-end, the term of the unsecured intercompany loan from Exel Limited was extended, such that the entire loan and interest thereon will not be repayable until February 2025.

10. Called up share Capital

	2022 £	2021 £
Authorised, allotted, issued up and fully paid		
2022: 1 (2021: 1) ordinary share of £1 each	1	1

DHL Parcel UK Holding Limited

Notes to the financial statements for the year ended 31 December 2022

11. Immediate and ultimate parent undertaking and controlling party

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