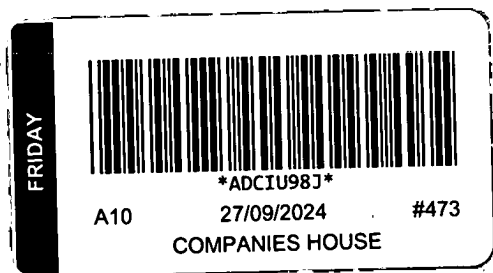


Company registration number: 00965783

DHL ECOMMERCE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2023



DHL ECOMMERCE UK LIMITED

Contents of Report and Financial Statements

For the year ended 31 December 2023

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DHL ECOMMERCE UK LIMITED

Contents of Report and Financial Statements

For the year ended 31 December 2023

DHL ECOMMERCE UK LIMITED

COMPANY INFORMATION:

Directors: Stuart Hill
Jaspreet Lyall
Scott Laird

Registered Number 00965783

Registered Office 120 Buckingham Avenue, Slough, England, SL1 4LZ.

Independent Auditor Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD
United Kingdom

The directors present the strategic report of the Company for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

DHL eCommerce UK Limited (registration number 00965783) is a private limited company by shares and is 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.

The registered office of DHL eCommerce 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.

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 2023 the Company recorded a loss before taxation of £11,850,000 (year ended 31 December 2022: a loss before taxation of £10,482,000) on revenue of £616,132,000 (year ended 31 December 2022: £575,667,000).

In 2023, our revenue growth of 6.9% has been achieved through price increases and applying appropriate surcharges for oversized parcels that add additional complexity and cost in our operation. We have continued to face significant inflationary cost pressures, resulting in our profit margins to decline. The business's key priority is to ensure our second hub in Coventry is successfully opened in August 2024, to support profitable volume growth.

The company continues to be in a strong financial position with net assets being £21,582,000 at 31 December 2023 (Year ended 31 December 2022: £53,132,000).

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.

Parcel

Parcel revenue increased to £439,057,000 in the year ended 31 December 2023 (year ended 31 December 2022: £421,550,000), which comprises the Company's business-to-business (B2B), business-to consumer (B2C) and international parcel delivery services.

Parcel operating margin for the year increased to 4.8% (year ended 31 December 2022: 3.7%) resulting in operating profit for the year of £20,867,000 (year ended 31 December 2022: £15,769,000).

2023 Parcel revenue benefitted from yield management measures as explained above, to offset cost inflationary pressures. The Parcel business is progressing with its expansion plan, with a second hub in Coventry which opened in August 2024 to support its growth. Our focus is to enhance our customer experience, optimise our network capacity and drive profitable growth.

Mail

Mail revenue of £177,075,000 for the year ended 31 December 2023 (year ended 31 December 2022: £154,117,000) increased by 14.9%.

Mail operating margin for the year reduced to 3.9% (year ended 31 December 2022: 4.8%) resulting in operating profit for the year of £6,901,000 (year ended 31 December 2022: £7,416,000).

Despite an increase in revenue, the decrease in operating margin was caused by the higher operating costs due to inflation and Royal Mail cost increases.

Central Cost

Central costs were £34,466,000 for the year ending 31 December 2023 (year ending 31 December 2022: £31,019,000). The increase was largely due to inflation and increased headcount.

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 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.

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. 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

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 has a detailed business continuity plan for its Ryton hub which details a wide array of mitigations and contingency options to keep the business running in the event of a disruption. Additionally we have a suite of 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. A thorough testing and exercising annual schedule underpins our entire business continuity framework.

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.

HR risks

The Company 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 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 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 employee performance & development review process whereby the performance of all employees is assessed against their agreed objectives alongside their management behaviours in line with DHL Leadership Attributes.

Director's statement of compliance with the duty to promote the success of the Company

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 their 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. The business is focussed on its core commercial strategy and realising the operational cost efficiencies from our expansion plan.

Employees

The directors pay special regard to their 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 and a company wide salary increase was agreed by the board.

Customers

The long term 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. Since 2021, DHL has made an investment to increase the number of electric and hybrid vehicles amongst its company car and final mile delivery fleet and introduction of LNG Bio-Gas vehicles. During 2023 the board approved business cases which will introduce a variety of carbon efficient properties into its real estate portfolio. These carbon efficiencies include the likes of renewable energies, LED lighting, efficient air conditioning and heating as well as introducing its first carbon neutral properties such as Camberley which opened in January 2024. The company operates within all health and safety and road traffic regulations and legislation.

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.

Director's statement of compliance with the duty to promote the success of the Company (continued)

Business conduct

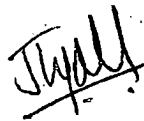
The directors ensure business is conducted to a high standard to ensure that is as a desirable company to work with. All negotiations are conducted transparently and at arm's length. The company adheres to all relevant legislation and statutory requirements through regular risk and compliance reviews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

J Lyall
Director
25th September 2024



The directors' present their report and audited financial statements for the year ended 31 December 2023.

RESULTS AND DIVIDENDS

The Company's loss for the financial year was £31,407,000 (year ended 31 December 2022: Loss of £10,482,000). No dividends were paid or declared during the year. The directors do not propose a final dividend (year ended 31 December 2022: £nil).

The loss for the financial year of £31,407,000 (year ended 31 December 2022: Loss of £10,482,000) 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. Krohn (resigned 11 September 2023)
P. Fuller (resigned 01 March 2024)
S. Laird
J. Lyall (appointed 11 September 2023)
S. Hill (appointed 01 March 2024)

CHARITABLE AND POLITICAL DONATIONS

The Company made charitable donations of £29,000 during the year ended 31 December 2023 (year ended 31 December 2022: £26,000). The Company made no political donations (year ended 31 December 2022: £nil).

EMPLOYMENT POLICY

The Company places considerable value on the involvement of its colleagues and ensures they are kept informed on matters affecting them including the Company performance, and its strategic priorities in line with the overarching DHL Group Strategy of being the Employer, Provider and Investment of choice. This is achieved through formal and informal team meetings, Town Halls, frequent communications and utilising a communication platform app called Smart Connect. In addition, all employees participate in two engagement based surveys the Employee Opinion Survey in which there is a focus on follow up action planning throughout the year. The second survey is the Great Place to Work survey.

The Employee Consultation Group provides the company, managers and colleagues with a forum to discuss and resolve matters of mutual concern and to ensure there is full communication and consultation of all matters.

The Company actively encourages people development and has a number of programmes that can assist in achieving this at all levels in the business, the main platform for all development is through the DHL certified route, in addition there is also opportunities for e-learning, and apprenticeships. The Company's policy and practice is to encourage the recruitment and subsequent learning, career development and promotion of all regardless of age, race, disability, gender, sexual orientation, and according to aptitudes and abilities. Diversity, Equity, Inclusion and Belonging is a main priority to the business and the wider DHL group.

EMPLOYMENT POLICY (continued)

The Company is accredited with Great Place to Work & Top Employer 2024 status.

The average number of staff employed during 2023 was 3,813 compared to 3,571 in the previous year. In 2023 staff costs increased to £137,706,000 (2022: £122,329,000).

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.

Copies of the consolidated financial statements of the Deutsche Post DHL Group can be accessed online at dpdhl.com/en/investors.

FUTURE DEVELOPMENTS

The Company continues to invest in improving the customer experience, productivity improvements, digital solutions and capacity.

GOING CONCERN

The directors have carried out a going concern assessment. Forecasts through to year ending 2025 are prepared for DHL eCommerce UK Ltd. These forecasts support the assessment that the Company will continue to meet their obligations as they fall due throughout the period of at least twelve months from the date of these financial statements.

The Directors have sought and received a letter of support from Deutsche Post AG, the ultimate parent undertaking. This letter includes a commitment to provide funding to enable the company to meet its third party liabilities as they fall due and will not call any liabilities owed by this company within the Group, covering a period of at least 12 months from the date these financial statements were approved. Any requirement for further support would be expected to be funded through a loan via the UK parent company or the existing facility arrangements provided by DHL Group's treasury function. Consequently, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of issue of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

As part of our Go Greener initiative, DPDHL has a target to create zero emissions from logistics by 2050, and like many businesses around the globe we are looking for ways to become more environmentally friendly and find cleaner and greener ways to operate.

During 2023 the company continued to install electric vehicle charge points in multiple facilities. This has enabled employees to take up hybrid/electric cars but also roll out electric vans to delivery service vehicles. The company introduced a number of electric rigid into its fleet at a number of locations. All of the remaining DHL HGV fleet is Euro 6 emission standard compliant. The vast majority of locations across DHL eCommerce UK Limited consume electricity from renewable sources. This is certified by the Carbon Trust to be compliant with the Greenhouse Gas Protocol Scope 2 Guidance.

Regular companywide email and poster communications are issued to educate employees about ways to reduce carbon emissions. Furthermore, DPDHL is committed to spending €7 billion up to 2030 in clean operation initiatives. All office based employees attended an in house 'certified GoGreen specialist' training course which is a group wide certified program.

The company reports greenhouse gas emissions resulting from energy use in our buildings, transportation network, and employees' business travel. The below table shows CO₂e emissions and energy consumption as well as our key intensity KPI, emissions per piece.

**CARBON EFFICIENCY AND FUEL CONSUMPTION
BASED ON TANK TO WHEEL**

	KT Co ₂ e 2023	KT Co ₂ e 2022
Scope 1 emissions		
Owned Transport	35.6	38.2
Gas Consumption	0.4	0.4
	36.0	38.6
Scope 2 emissions		
Purchased electricity	0.1	0.1
Scope 3 emissions		
3rd Parties	46.2	52.8
	82.3	91.5
Total gross emissions	82.3	91.5
Emissions per piece (g CO₂e / piece)	872	941
Energy consumption ('000 kWh)		
Electricity	12,599	11,885
Gas	1,919	2,206

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

We have followed the 2019 HM Governmental Reporting Guidelines. All relevant usage is converted to CO₂e using emission factors from the Greenhouse Gas Protocol.

Scope 1 & 2 methodology

Electricity consumed from 100% renewable sources has zero emissions and is not included within Scope 2 of our CO₂e footprint.

Scope 3 methodology

Third party line haul is calculated by applying a % assumption of total cost. Parcel final mile delivery CO₂e is based on average miles per day per driver. Royal Mail final mileage is converted at 17.9g Co₂e per mail letter.

Exports sent by third party air are omitted from our reporting as it is not within direct control of our reporting boundary. This volume accounts for less than 1% of our volume.

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.

Customers

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

What matters:

- Understanding and support our customers' business
- Maintaining high quality and service levels
- Handling the customers' product with care
- Creating and adding value for our customers
- Service performed safely

How we engage:

- Regular customer contact through our account managers
- Strategic partnership reviews across our Key accounts
- Ongoing customer survey
- Direct marketing and communication

What we are doing:

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

STAKEHOLDER ENGAGEMENT (continued)

Employees

We involve and listen to employees to help us maintain strong employee engagement and retain talented people. This has enabled us to be recertified with "Top Employer 2024" status and achieve Great Place to Work accreditation.

What matters:

- Training, development and career prospects
- Health, 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 how we support and improve work environment for colleagues
- Town hall meetings to update employees on current events, Smart Connect an app for news, social engagement for all, regular publications

What we are doing:

- Monitoring employee engagement through the employee survey and acting on feedback to improve engagement.
- Great place to work follow up on development areas
- Reviewing policies and procedures to improve employee satisfaction
- Reviewing and improving benefits offering
- Increasing development opportunities through our certified programmes for all colleagues and with new offerings for our management community

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
- Compliance with tax rules

STAKEHOLDER ENGAGEMENT (continued)

Governing bodies and regulators (continued)

How we engage:

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

What we are doing:

- Regular reports from our business on regulatory issues and engagement, especially around health and safety and compliance
- Integrating into a Group VAT compliance tool to strengthen controls
- Maintain open relationships

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 conditions
- Continued growth
- Loyalty

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 7% 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 6% 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.

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 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 99% of all income is in sterling and costs denominated in foreign currency, principally the Euro, representing less than 10% of all expenditure.

There would have been a material impact on profit before tax or equity in the year ended 31 December 2023 or year ended 31 December 2022, 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 2023) 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.

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).

Statement of directors' responsibilities in respect of the financial statements (continued)

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 101 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.

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.

Independent auditors

In 2023 PricewaterhouseCoopers LLP resigned from office, and Deloitte LLP were appointed as auditor of the company in their place and have indicated their willingness to continue in office. A resolution to reappoint Deloitte LLP will be proposed at the Annual General Meeting.

On behalf of the board



J Lyall
Director

25th September 2024

Preliminary remark:

The following Climate-related Financial Disclosure including respective assessments are UK-specific. Therefore, some aspects of this information may differ from the Climate-related Financial Disclosure provided by DHL Group in its annual report.

Effective for periods commencing on or after 6 April 2022, the Climate-related Financial Disclosure regulations 2022 have been introduced in the UK to report on material climate-related matters and their impact on significant UK companies. As DHL eCommerce UK Ltd meets the criteria for mandatory disclosure, set out below are the climate-related financial disclosures covering: governance in assessing and managing climate-related risks and opportunities, how climate-related risks and opportunities are identified, assessed and managed, the impacts on the company strategy, and the performance metrics and targets applied in managing these risks.

1. Governance

The DHL Group Board of Management is the central decision-maker on Group-wide ESG / Sustainability focus (including climate-related risks and opportunities). The topic and progress achieved on it is regularly discussed by the Board of Management. ESG topics are also regularly dealt with, at least once a year, in the meetings of the Supervisory Board as well as its Strategy and Sustainability Committee and Finance and Audit Committee. The perspective of external stakeholder groups is included through the Sustainability Advisory Council.

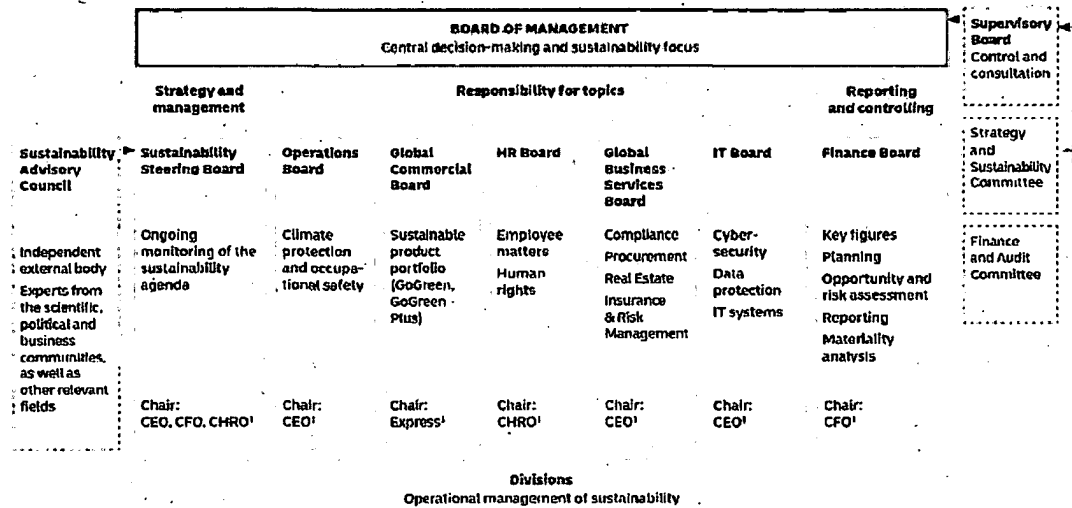
- **Department Chief Executive Officer:** Responsible for strategic orientation, stakeholder dialogue and implementation of the ESG programs. The ESG topics are developed further in the Group strategy and regularly reviewed by the Sustainability Steering Board. The Sustainability Steering Board comprises the CEO, the CFO and the Board member for Human Resources, as well as managers from central and divisional functions.
- **Department Human Resources:** Develops Group-wide concepts for leadership and corporate culture, for the promotion of talents and skills, specifications related to HR processes and services as well as for maintaining relationships with the employee representatives and for respecting human rights in our workforce.
- **Department Finance:** Responsible for ESG reporting and controlling, opportunity and risk assessment, integration of the internal control system and the financial systems, compliance management and data protection. In the year under review, responsibility for the materiality analysis was moved from the Department Chief Executive Officer to the Department Finance.
- **Department Global Business Services:** Among other topics, responsible for determining the Group-wide standards for sustainable procurement and the process for selecting suppliers, as well as the specifications for Insurance & Risk Management and Corporate Real Estate.

CLIMATE-RELATED FINANCIAL DISCLOSURES (Continued)

1. Governance (continued)

Underscoring the significance of sustainability for the DHL Group, three ESG performance indicators are each weighted at 10% in the target portfolio for the annual bonus for Board of Management members; firmly linking ESG criteria to the Board of Management remuneration.

SIGNIFICANT DECISION-MAKING BODIES FOR SUSTAINABILITY



¹ CEO = Chief Executive Officer, Board of Management members responsible for Finance (CFO), HR (CHRO), Express.

More information on the bodies noted above can be found in the DHL Group ARA 2023.

Whilst the DHL Group acts as the point of decision-making, the individual divisions at a global level are responsible for the identification of climate-related risks and opportunities, and the implementation of measures related to ESG broadly (including climate-related risk and opportunities). Therefore, the strategic direction as provided by the global eCommerce board is subsequently implemented by the UK board.

Furthermore, within DHL eCommerce UK Ltd there are Risk & ESG steering and working groups that meet frequently, at least quarterly, to review climate-related topics, including risks and opportunities; discuss, shape and develop implementation and rollout plans relating to ESG, in addition to reviewing KPI performance on the topics.

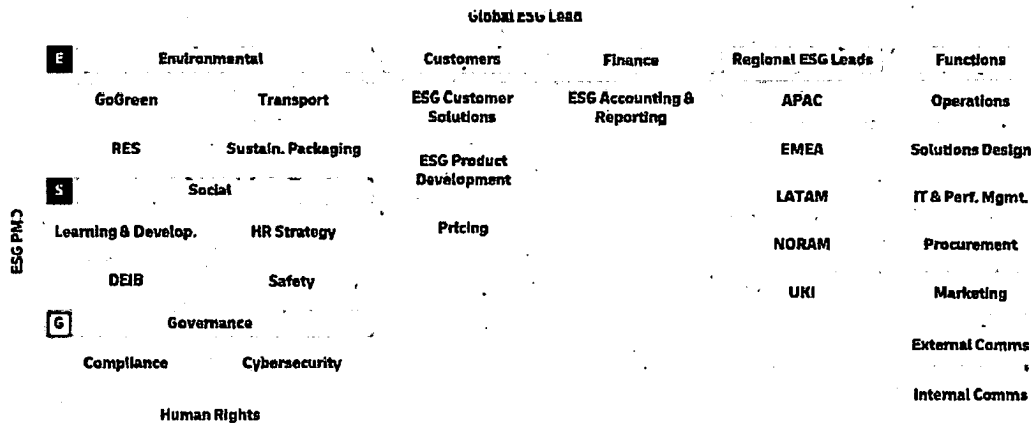
At a local level there are functional and operational teams such as transport, real estate, ESG accounting and reporting that are also engaged on the topic – ensuring ESG (and climate-related risks and opportunities) is embedded throughout the organisation.

CLIMATE-RELATED FINANCIAL DISCLOSURES (Continued)

1. Governance (continued)

The DHL eCommerce UK Ltd Board meet with the global teams to discuss climate-related topics as well as the status of the KPIs.

ESG Steering Team



2. Risk management

Opportunity and risk management takes place in Group Controlling, within our existing finance structures, and covers sustainability-related aspects, including as pertaining to the environment and climate-related aspects. Opportunities and risks arising from climate change are assessed annually at a global level using a scenario analysis according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which also takes the provisions of the EU Taxonomy into account.

This involves applying the Representative Concentration Pathways (RCPs) of the Intergovernmental Panel on Climate Change; a recognised climate modelling tool, in which we modelled the average warming of the planet scenarios by less than 2, more than 2 or more than 4 degrees Celsius through to the year 2100. The RCP scenarios were chosen due to their widespread use in academia and by peers, their broad geographical coverage and established data basis. This allowed us to assess physical risks that could result from a rise in ocean levels, for instance. For transition risks, the sustainable development scenario of the International Energy Agency was used. The material risks identified during this process are explained in the Strategy and Resilience section that follows below.

CLIMATE-RELATED FINANCIAL DISCLOSURES (Continued)

2. Risk management

The Board of Management members responsible for the divisions at a global level, as part of the financial and nonfinancial risk assessment, also analysed and evaluated the risks and opportunities related to climate change on our business models, strategy and operational business, incorporating our Group Science-Based target and mission of achieving net zero greenhouse gas (GHG) emissions by 2050. In addition to this, an assessment of locations with increased physical risk were confirmed. The result for the Group and its divisions are mainly transition risks, particularly with regard to GHG emissions: operational limitations due to stricter regulation (carbon taxes and levies) as well as the lack of availability of sustainable fuel and energy from renewable sources.

The central climate protection activities are developed in the Department of the Chief Executive Officer and Group guidelines are adapted accordingly or drafted and implemented throughout the Group (within its divisions). The Finance department collects environmental data, monitors progress toward goals, assesses opportunities and risks and carries out internal and external reporting, embedded in the internal control system.

Our orientation with regard to climate and environmental protection is set out in Group policies such as in the Code of Conduct and the Supplier Code of Conduct, the Environmental and Energy Policy, and the internal policies for sustainable fuels, paper policy and procurement processes. In the year under review, the Environmental and Energy Policy was completely revised and adapted in line with the ESG Roadmap.

Furthermore, our business case assessment process (BCA) requires that environmental, including climate-related risks and opportunities are identified and addressed as applicable in the design of solutions and in the acquisition of new assets.

3. Strategy and Resilience

The risks that have been recognised as relevant within the UK geography based on the physical (acute and chronic) and transition risks identified from the assessment at a DHL Group and global divisional level are below. Climate risks and opportunities are assessed over the following time horizons: Short term (0-5 years), medium term (5-15 years) and long term (>15 years).

Physical Risks:

The UK portfolio was analysed in regards to the following medium to long term risks and their impact on business-as-usual (BAU) operations.

- Fire weather stress
- Heat stress
- River flood (undefended and defended)
- Precipitation stress
- Sea level rise
- Drought stress

CLIMATE-RELATED FINANCIAL DISCLOSURES

For the year ended 31 December 2023

CLIMATE-RELATED FINANCIAL DISCLOSURES (Continued)

3. Strategy and Resilience

All of these risks were found to be not material to our BAU operations.

Furthermore, a representative UK cluster was included in the 5 most business-critical, and therefore analysed in more detail. The resulting assessment was that for this cluster, all risks were assessed as medium to long term, and aside from drought stress which was found to be of medium risk to the business operations, they were low and all remained not material, therefore, no specific mitigations were documented.

Transition Risks:

The following medium-to-long term transition risks were classed as material aligned to their impact on the eCommerce UK business model:

	High	Medium	Low
Reduction in supplier base due to DHL sustainability standards		Restrictions for business growth due to climate regulations for buildings	Acceleration for real estate upgrades
			Acceleration for fleet substitution
			Introduction of carbon price
			Shift of demand to green logistics solutions

The risks identified are latent and we are already addressing these risks aligned to our environmental strategy and overall Sustainability roadmap. However, should the risks not be addressed sufficiently, then this could impact our ability to retain existing business and win new business.

Transition risk impact assessment

Our publicly available Supplier Code of Conduct (SCoC) forms the basis of all our supplier relations. The Code places our suppliers under obligation to observe the strategic goals and values of DHL Group, including our environmental and climate protection sustainability commitments, and to ensure that their own business partners and subcontractors adhere to our standards as well.

In addition, together with our subcontractors, we work as part of a wide range of initiatives to develop sustainable technologies in order to reduce fuel consumption and lower GHG emissions. Our internal Green Carrier Certification for road freight is an example of this. DHL's Green Carrier Certification programme helps to identify sub-contractors that are already contributing to sustainable logistics, while encouraging even more investment in green technologies to reduce carbon output. Carriers are assessed on whether they have an environmental or sustainability strategy in place, as well as their ability to measure their carbon footprint and share their data. In addition, the assessment will look at features of

CLIMATE-RELATED FINANCIAL DISCLOSURES (Continued)

3. Strategy and Resilience

their fleet - from basic technologies such as low rolling resistance tyres; aerodynamic enhancements and idle cut-off, to advanced green technologies such as sustainable fuels and alternative drivetrains. The roll out is ongoing, and DHL has seen good participation rates from sub-contractors to date.

DHL's Green Transport Policy for our owned / leased transport fleet analyses operational technological fit, local availability (vehicles, fuel and infrastructure) & abatement costs for key green technologies to derive clear investment guidance and drive substantial reductions in emissions.

Our commitment as a group to implement our in-house carbon neutral design standard for all new owned and leased buildings is discussed in the Streamlined Energy and Carbon Reporting disclosure within the Directors' Report (page 12). Also included in our strategy for real estate is the continued roll out of an Environmental and Energy Management System to operations as well as upgrades for existing builds to achieve carbon neutrality, utilising a net zero approach, in our facility emissions by 2025.

In the eCommerce division, our success is highly dependent on our customers' business performance. In relation to the low transition risk, "Shift of demand to green logistics solutions". We have opportunity to electrify our fleet and reduce the impact on the climate.

Whilst identified as a risk for which we have mitigations as detailed above, we also see the shift of demand to green logistics solutions as an opportunity for DHL. We are continuing to build our portfolio of specifically environmentally friendly products, GoGreen Plus, and expand the proportion of sustainable fuels and technologies in our fleets and buildings. This approach allows us to uphold our responsibility to the climate and the environment.

These commitments and initiatives together mean we are confident that the impact of the high and medium ranked transition risks are being mitigated and that the company is resilient to both transition and physical risks.

We continue to improve our processes in relation to risk management (including climate-related aspects) and expect this to impact future disclosures.

4. Metrics and Targets

With the launch of the GoGreen programme in 2008, DHL Group (formally Deutsche Post DHL Group) became the first logistics company in the world to set a measurable climate protection target. By 2020, DHL committed to improve its CO₂e efficiency by 30 percent compared with the base level from 2007 – we have been measuring and communicating on our progress ever since.

Having already set out Mission 2050: Net Zero Emissions by 2050 at a Group Level. In 2021, we published our accelerated sustainability roadmap, which encompasses: Environmental - clean operations for climate protection; Social - great company to work for all and Governance - highly trusted company and making a lasting impact in our communities through our Go Programmes. The roadmap also included committing as part of the Science Based Target initiative (SBTi) to reduce our greenhouse gas emissions by 2030 in

CLIMATE-RELATED FINANCIAL DISCLOSURES (Continued)**4. Metrics and Targets**

line with the Paris Climate Agreement compared to a 2019 business as usual scenario. Following this commitment, in November 2022, the independent Science Based Target Initiative (SBTi) officially confirmed that DHL Group's Climate related targets are in line with the Science Based Target criteria and thus reflect the current state of climate science. DHL Group will significantly reduce its logistics-related greenhouse gas emissions in absolute terms from 39 m metric tonnes CO₂e in 2021 to below 29 m metric tonnes CO₂e by 2030 across scopes 1 to 3 (direct emissions from the use of fuels and indirect emissions from purchased energy – Scope 1 and Scope 2 emissions by 42 percent by 2030, and absolute Scope 3 emissions from categories 3: upstream fuel and energy-related activities, 4: upstream transportation and distribution and 6: business travel are to be reduced by 25 percent by 2030), and thus actively contribute to limiting global warming to 1.5 degrees. The calculation methodology for GHG emissions is based on recognized international standards such as the Greenhouse Gas Protocol, EN 16258 (replaced by ISO 14083 as of the 2024 fiscal year) and the Global Logistics Emissions Council Framework.

Our metrics and targets are driven by our DHL Group management and reported on a divisional level. Targets are set at the global divisional level with the entity adopting its equal share of this target, though this is influenced by divisional strategic initiatives.

Whilst regularly reviewed at an individual operational level for DHL eCommerce UKI collectively, for 2023, two of these key climate-related environmental and governance KPIs (summarised for DHL eCommerce Limited) were as per below:

KPIs	2023	2022
Share of "green" electricity (%)	97.9	97.3
Spend Covered by accepted SCoC (%)	98.3	98.2

The Realised Decarbonisation Effects KPI measures the emissions that we have been able to avoid through the use of energy from renewable sources and sustainable technologies compared with conventional energy and technologies, such as using hydro-treated vegetable oil in own/leased vehicles instead of diesel.

We use supplier spend covered by an accepted Supplier Code of Conduct to measure the successful implementation of our standards in the supply chain.

We record progress regarding these KPIs via central financial systems, reporting to management on a monthly basis and discussing their developments. For example, within the UK board, in addition to other performance indicators monitored, measured and managed, on a climate-related front (including risks and opportunities), these steering KPIs are monitored by the Chief Financial Officers (CFO) and divisional board each month. As is noted in the table, there has been an improvement in both KPIs year on year.

In addition to the above KPIs, we also collect and track data on GHG emissions. Reporting on these can be found in the Streamlined Energy and Carbon Reporting (SECR) Disclosure starting on page 12 of these Financial Statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DHL ECOMMERCE UK LIMITED

For the year ended 31 December 2023

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of DHL eCommerce UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2023 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework," and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Conclusions relating to going concern (continued)

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- considering the historic and recent performance of the business;
- assessing the closing balance sheet position and its liquidity, as well as access to finance;
- understanding how the business operates within the wider DHL Group and expectations over its continued role over the going concern period; and
- assessing the letter of support from the group which confirms they intend to provide support over the going concern period, including considering the nature of the letter and the ability and likelihood of the group providing any support that might be necessary.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or any material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

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

Responsibilities of directors (Continued)

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

Auditor's 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 auditor's 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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DHL ECOMMERCE UK LIMITED

For the year ended 31 December 2023

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

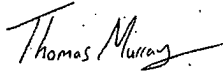
DHL ECOMMERCE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DHL ECOMMERCE UK LIMITED

For the year ended 31 December 2023

Use of our report

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



Thomas Murray ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
25th September 2024

DHL ECOMMERCE UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	Total 2023 £'000	Total 2022 £'000
Revenue	3	616,132	575,667
Cost of sales		(527,554)	(497,574)
Gross profit		88,578	78,093
Administrative expenses		(96,365)	(88,468)
Other income	4	1,089	2,541
Operating Loss	5	(6,698)	(7,834)
Finance income	6	44	141
Finance costs	6	(5,196)	(2,789)
Loss before taxation		(11,850)	(10,482)
Tax on Loss	8	(19,557)	-
Loss for the financial year		(31,407)	(10,482)
Total comprehensive expense for the year		(31,407)	(10,482)
Total comprehensive expense attributable to:			
Equity owners of the Company		(31,407)	(10,482)

CONTINUING OPERATIONS

All results relate to continuing operations

The related notes numbered 1 to 24 form part of these financial statements

DHL ECOMMERCE UK LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Intangible assets	9	3,133	2,882
Property, plant and equipment	10	129,873	90,079
Right-of-use assets	11	93,043	76,350
Trade and other receivables	12	-	6,933
		<u>226,049</u>	<u>176,244</u>
Current assets			
Inventories	13	78	170
Trade and other receivables	12	95,377	73,316
Cash and cash equivalents	14	27	39
		<u>95,482</u>	<u>73,525</u>
LIABILITIES			
Current liabilities			
Borrowings	15	(20,903)	(17,684)
Trade and other payables	16	(111,976)	(104,939)
Provisions	18	(5,067)	(5,427)
		<u>(137,946)</u>	<u>(128,050)</u>
Net current liabilities		<u>(42,464)</u>	<u>(54,525)</u>
Non-current liabilities			
Borrowings	15	(138,702)	(58,991)
Deferred tax liabilities	17	(19,557)	(6,933)
Provisions	18	(3,744)	(2,663)
		<u>(162,003)</u>	<u>(68,587)</u>
Net assets		<u>21,582</u>	<u>53,132</u>
Equity			
Ordinary shares	19	1	1
Retained earnings		21,581	53,131
Total equity		<u>21,582</u>	<u>53,132</u>

The related notes numbered 1 to 24 form part of these financial statements.

The financial statements on pages 31 to 60 were approved by the board of directors on 25th September 2024 and were signed on its behalf by:

J Lyall
Director



DHL ECOMMERCE UK LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Ordinary shares £'000	Retained earnings £'000	Capital Contribution Reserve £'000	Total equity £'000
Balance as at 1 January 2022	1	63,659	-	63,660
Loss for the financial year	-	(10,482)	-	(10,482)
Total comprehensive expense for the financial year	-	(10,482)	-	(10,482)
Employees' share option scheme: - value of employee services (Note 20)	-	(46)	-	(46)
Total transactions recorded directly to equity	-	(46)	-	(46)
Balance as at 31 December 2022	1	53,131	-	53,132

	Ordinary shares £'000	Retained earnings £'000	Capital Contribution Reserve £'000	Total equity £'000
Balance as at 1 January 2023	1	53,131	-	53,132
Loss for the financial year	-	(11,850)	(19,557)	(31,407)
Total comprehensive expense for the financial year	-	(11,850)	(19,557)	(31,407)
Employees' share option scheme: - value of employee services (Note 20)	-	(143)	-	(143)
Total transactions recorded directly to equity	-	(143)	-	(143)
Balance as at 31 December 2023	1	41,138	(19,557)	21,582

The capital contribution reserve represents corporation tax indemnified by Exel Limited on behalf of the company for the year and prior years.

DHL ECOMMERCE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

1 General information

DHL eCommerce UK Limited (registration number 00965783), is a private limited company incorporated and domiciled in the United Kingdom. The company changed its name on 29 November 2023, having previously been known as DHL Parcels UK Ltd. 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 2023

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 'Reduced Disclosure Framework', 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 have carried out a going concern assessment. Forecasts through to year ending 2025 are prepared for DHL eCommerce UK Ltd. These forecasts support the assessment that the Company will continue to meet their obligations as they fall due throughout the period of at least twelve months from the date of these financial statements.

The Directors have sought and received a letter of support from Deutsche Post AG, the ultimate parent undertaking. This letter includes a commitment to provide funding to enable the company to meet its third party liabilities as they fall due and will not call any liabilities owed by this company within the Group, covering a period of at least 12 months from the date these financial statements were approved. Any requirement for further support would be expected to be funded through a loan via the UK parent company or the existing facility arrangements provided by DHL Group's treasury function. Consequently, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of issue of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2023 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 land and 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.

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.

2 Principal accounting policies (continued)

Leases (continued)

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 month 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.

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.

2 Principal accounting policies (continued)

Revenue (continued)

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.

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.

2 Principal accounting policies (continued)

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 recognised in respect of all temporary differences that have originated but not reversed at the reporting 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 reporting date. Temporary 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 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 indemnity provided by Exel Limited is accounted for as a capital contribution within reserves.

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.

2 Principal accounting policies (continued)

Taxation (continued)

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

Under the PSP (Performance Share Plan), 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 (Share Matching Scheme), 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').

2 Principal accounting policies (continued)

Share-based payments (continued)

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.

Under the ESP (Employee Share Plan), deductions for shares are taken from employees and held in equity. An accrual is made to account for the 25% discount which is shown in the income statement and equity. Employees receive these shares at the end of a three month saving period.

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.

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.

2 Principal accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

2 Principal accounting policies (continued)

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.

Critical accounting judgements and key sources of estimation uncertainty

At the balance sheet date there are no critical accounting judgements and no key sources of estimation uncertainty.

3 Revenue**a) Revenue by Geography**

	2023 £'000	2022 £'000
UK	605,251	564,186
Europe	5,366	5,064
Rest of World	5,515	6,417
	<u>616,132</u>	<u>575,667</u>

b) Revenue by Category

	2023 £'000	2022 £'000
Parcel	439,057	421,550
Mail	177,075	154,117
	<u>616,132</u>	<u>575,667</u>

4 Other Income

	2023 £'000	2022 £'000
Miscellaneous	1,089	2,541
	<u>1,089</u>	<u>2,541</u>

Miscellaneous in 2023 represents income from non-core activities.

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

5 Operating (Loss)/Profit	2023	2022
	£'000	£'000
The following items have been charged/(credited) in arriving at operating (loss)/profit:		
Royal mail access costs	150,841	126,449
Subcontractor costs	173,781	171,250
Employee benefits expense (note 7)	137,706	122,329
Cost of inventories (included in costs of sales)	17,417	20,998
Depreciation of property, plant and equipment (note 10 and 11)		
- Owned assets and right of use	30,509	26,749
Amortisation of intangibles (included in administrative expenses) (note 9)		
- Owned assets	1,012	1,048
Other lease expenses:		
Short-term leases	3,772	4,159
Low-value asset leases	365	185
Variable lease payments	2,066	1,089
Repairs and maintenance expenditure on property, plant and equipment	15,308	9,062
Gain on disposal of property, plant and equipment	(6)	(21)
Loss on disposal of intangible assets	-	1,221
Loss/(Gain) on foreign currency translation	51	44
Operating lease rentals receivable:		
- Plant and machinery	(952)	(680)
- Computer equipment	(60)	(79)
Impairment of trade receivables (included in administrative expenses)	-	212
Services provided by the Company's auditors		
During the year the Company obtained the following services from the Company's auditors:		
Fees payable to the Company's auditors for the statutory audit of the Company's financial statements	96	188
	<u>96</u>	<u>188</u>

The cost of inventories represents fuel which is acquired as part of a bunkered stock agreement and as part of fuel that is purchased and stored in our own fuel tanks.

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

	2023 £'000	2022 £'000
6 Net finance costs		
Interest receivable on:		
In-house bank	44	141
Finance income	<u>44</u>	<u>141</u>
Interest payable on:		
Right of use assets (under IFRS 16)	(3,624)	(2,581)
In-house bank	(1,312)	(63)
Intercompany Loan Interest	(212)	-
Other	(48)	(145)
Finance costs	<u>(5,196)</u>	<u>(2,789)</u>
Net finance costs	<u>(5,152)</u>	<u>(2,648)</u>

Details of the Company's in-house bank arrangements are detailed in note 16.

7 Employees and directors

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

	2023 £'000	2022 £'000
Wages and salaries	122,827	107,572
Social security costs	12,499	12,413
Other pension costs *	2,243	2,243
Share-based payments (Note 20)	137	101
	<u>137,706</u>	<u>122,329</u>

* Post-employment benefits all relate to defined contribution pension schemes. At the year-end 2023 there was a payment outstanding of £615,000 (31 December 2022 £nil).

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

7 Employees and directors (continued)

Average monthly number of persons employed (including executive directors)

	2023	2022
	Number	Number
Operations	3,451	3,310
Administration	362	261
	<u>3,813</u>	<u>3,571</u>
Directors' emoluments	2023	2022
	£'000	£'000
Aggregate emoluments	1,349	1,167
Post-employment benefits	30	24
	<u>1,379</u>	<u>1,191</u>

The highest paid director was paid £541,000 (2022: £490,000). Included within this is a salary supplement of £40,000, paid as an alternative to a pension contribution (2022: £38,000).

Pension contributions were made in respect of 2 (2022: one) director; paid as a supplement to the director's salary.

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

8 Tax on (loss)/profit 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 receivables.

	2023	2022
	£'000	£'000
Current tax		
UK corporation tax on the profit for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	10,780	777
Impact of changes in tax rates	637	75
Adjustments in respect of prior years	8,140	328
Movement on UK deferred tax indemnified by Exel Limited	-	(1,180)
Total deferred tax	<u>19,557</u>	<u>-</u>
Total tax per income statement	<u>19,557</u>	<u>-</u>

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

8 Tax on (loss)/profit (continued)

Reconciliation of tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.52% (2022: 19.0%).

The differences are explained below:

	2023 £'000	2022 £'000
(Loss) on ordinary activities before taxation	(11,850)	(10,482)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022: 19.0%)	(2,787)	(1,992)
Effects of:		
Expenses not allowable for UK tax	54	28
Income not subject to UK tax	(180)	(395)
Capital allowances in excess of depreciation	189	134
Impact of changes in tax rates	637	75
Group relief surrendered to other group companies	13,504	3,002
Adjustments in respect of prior years	8,140	328
Movement on UK deferred tax indemnified by Exel Limited	-	(1,180)
Total tax per income statement	19,557	0

Tax rate

The standard rate of Corporation Tax is 23.52% (2022: 19.0%).

The Company falls within the scope of Pillar Two legislation and disclosures are included within the consolidated financial statements of Deutsche Post AG (see note 23 for 'Ultimate parent undertaking and controlling party').

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

9 Intangible assets

	Acquired software licences £'000	Software development cost £'000	Total £'000
Cost			
At 1 January 2023	5,089	11,626	16,715
Additions	-	1,263	1,263
Disposal	(2)	-	(2)
At 31 December 2023	5,087	12,889	17,976
Accumulated amortisation			
At 1 January 2023	5,089	8,744	13,833
Charge for the year	-	1,012	1,012
Disposal	(2)	-	(2)
At 31 December 2023	5,087	9,756	14,843
Net book value at 31 December 2023	-	3,133	3,133
Net book value at 31 December 2022	-	2,882	2,882

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

10 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold building £'000	Motor vehicles £'000	Plant and equipment £'000	Computer Equipment £'000	Total £'000
Cost						
At 1 January 2023	36,533	7,240	32,146	51,416	7,374	134,709
Additions	-	28,206	-	19,850	1,987	50,043
Disposals	-	(82)	(4,918)	(48)	(1,175)	(6,223)
At 31 December 2023	36,533	35,364	27,228	71,218	8,186	178,529
Accumulated depreciation						
At 1 January 2023	6,825	2,969	14,671	14,411	5,754	44,630
Charge for the year	707	948	4,278	2,357	844	9,134
Disposals	-	(77)	(3,808)	(48)	(1,175)	(5,108)
At 31 December 2023	7,532	3,840	15,141	16,720	5,423	48,656
Net book value at 31 December 2023	29,001	31,524	12,087	54,498	2,763	129,873
Net Book value at 31 December 2022	29,708	4,271	17,475	37,005	1,620	90,079

DHL ECOMMERCE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

11 Right-of-use assets

The company has 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

	2023 £'000	2022 £'000
Right of use assets		
Buildings	63,663	53,877
Plant & Equipment	23,364	15,543
Motor vehicles	6,016	6,930
	<u>93,043</u>	<u>76,350</u>
Lease liabilities		
Current	20,903	17,684
Non-current	73,490	58,991
	<u>94,393</u>	<u>76,675</u>

Additions to the right of use assets during the 2023 financial year were £39,037,000 (2022: £10,669,000).

b) Amounts recognised in the income statement

	2023 £'000	2022 £'000
Depreciation		
Buildings	13,406	11,834
Plant and machinery	914	914
Motor vehicles	7,056	5,257
	<u>21,376</u>	<u>18,005</u>
Interest expense	(3,624)	(2,581)
Expenses relating to short-term leases	(3,772)	(4,159)
Expenses relating to low value leases	(365)	(185)
Expenses relating to variable leases	(2,066)	(1,089)
Future minimum leases payments at 31 December		
Not later than one year	24,810	19,854
Later than one year and not later than five years	60,289	50,235
Later than five years	24,243	13,312
Total gross payments	<u>109,342</u>	<u>83,401</u>
Impact of finance expenses	(14,949)	(6,726)
Carrying amount of liability	<u>94,393</u>	<u>76,675</u>

The total cash outflow for leases in 2023 was £24,923,000 (2022: £19,228,000).

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

12 Trade and other receivables	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	55,045	54,953
less: provision for impairment	(242)	(315)
Trade receivables - net of provisions for impairment	54,803	54,638
Amounts owed from group undertakings	23,102	178
Other receivables	8,282	8,090
Prepayments and accrued income	9,190	10,410
	<u>95,377</u>	<u>73,316</u>
	2023 £'000	2022 £'000
Amounts falling due after more than one year:		
Other receivable	-	6,917

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.

Amounts owed from group undertakings represents 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, Germany on a daily basis. For the year ended 31 December 2023 interest was charged at 6.01%. This can be recalled at any point within the next twelve months.

Other receivables due after more than one year relates to the indemnification asset of £nil (2022: £6,917,000) due from Exel Limited for the company's UK deferred tax liability (see note 17).

13 Inventories	2023 £'000	2022 £'000
Fuel stock	<u>78</u>	<u>170</u>

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

14	Cash and cash equivalents	2023 £'000	2022 £'000
	Cash at bank and in hand	27	39

For the year ended 31 December 2023 and 2022 cash and cash equivalents relates to cash in transit.

15	Borrowings	2023 £'000	2022 £'000
	Current		
	Amounts due within one year or on demand:		
	Finance lease obligations	20,903	17,684
		20,903	17,684
	Non-current		
	Loan from fellow group undertaking	65,212	-
	Finance lease obligations	73,490	58,991
		138,702	58,991

The loan from fellow group undertaking is an interest-bearing loan with a maturity date of 31.12.2032 with an option to extend for a further year at the beginning of each subsequent year.

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

16 Trade and other payables	2023	2022
	£'000	£'000
Trade payables	50,067	47,942
Amounts owed to group undertakings	15,740	18,854
Amounts owed to franchisees	1,307	1,343
Other payables	16,244	15,025
Taxes and social security	14,515	11,053
Accruals	13,034	9,950
Deferred income	1,069	772
	<u>111,976</u>	<u>104,939</u>

Amounts owed to group undertakings do not bear interest, are unsecured and repayable on demand.

Other payables contain monies due to third parties under agency agreements.

17 Deferred Tax

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

	2023	2022
	£'000	£'000
Accelerated capital allowances	(20,175)	(7,567)
Other timing differences	618	650
Net deferred tax liability	<u>(19,557)</u>	<u>(6,917)</u>

Deferred tax is calculated at 25% (2022: between 23.5% and 25.0%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

17 Deferred tax**Provision for liabilities**

	2023 £'000	2022 £'000
At 1 January	6,917	5,737
Charge to income statement	12,640	1,180
At 31 December	<u>19,557</u>	<u>6,917</u>

The company had a net deferred tax liability at 31 December 2023 of £19,557,000 (2022: £6,917,000) which has been recognised in the financial statements.

No significant reversal of the deferred tax liability is expected in 2024.

Finance Act 2021 increased the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. No corporation tax rate changes were announced during the 2024 Spring Budget and subsequently enacted.

18 Provisions

	Property £'000	Employment £'000	Total £'000
At 1 January 2023	5,039	3,051	8,090
Charged to the income statement	5,249	445	5,694
Reversal to income statement	(759)	(883)	(1,642)
Utilised in the year	(845)	(2,486)	(3,331)
At 31 December 2023	<u>8,684</u>	<u>127</u>	<u>8,811</u>

18 Provisions (continued)

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

	2023 £'000	2022 £'000
Current	5,067	5,427
Non-current	3,744	2,663
	<u>8,811</u>	<u>8,090</u>

Property Provisions

Provisions are held for future lease dilapidations costs that 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 10 years. The timing of outflows is variable and is dependent on the lease expiry dates, opportunities to surrender leases, repair programmes and the results of negotiation.

Rent review provisions are held for anticipated increases in rental values as a result of triggering a lease rent review date. At this date negotiations are held with the landlord to determine the new rental value. Once the negotiation is concluded a back dated invoice for this new value will be raised to the point of the rent review date.

Employment Provisions

Provision is held for taxes on staff incentives relating to the issue of awards, vouchers and other benefits in kind to employees. These are paid annually to HMRC via a PAYE PSA return. During the year, a provision for historic taxes and NI on employees' private mileage and associated travel benefits owing to HMRC was settled.

Provision was made for a small number of litigation matters that are outstanding at 31 December 2023. The outflow will be determined either by an out of court settlement or in court judgment and expected to be settled within 12 months of balance sheet date.

Also settled in the year was a trade union dispute relating to the company's line haul drivers.

DHL ECOMMERCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

19 Ordinary shares	2023 £'000	2022 £'000
Authorised, issued, allotted and fully paid 1,000 (31 December 2022: 1,000) ordinary shares of £1 each	1	1

20 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 2023).

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 £126,000 was recognised. (Year ended 31 December 2022: a charge of £92,000).

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

	2023 Tranche	2022 Tranche	2021 Tranche	2020 Tranche
Issue date	1 Sep 2023	1 Sep 2022	1 Sep 2021	1 Sep 2020
Exercise price (€)	€43.26	€39.06	€58.68	€37.83
Waiting period expires	31 Aug 2027	31 Aug 2026	31 Aug 2025	31 Aug 2024
Risk-free interest rate	2.60%	0.71%	-0.80%	-0.72%
Initial dividend yield of Deutsche Post Shares	4.28%	4.74%	3.07%	3.57%
Yield volatility of Deutsche Post shares	30.71%	29.41%	26.49%	24.89%

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).

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

The following table provides further details on the SMS tranches:

	2023 Tranche	2022 Tranche	2021 Tranche	2020 Tranche
Grant date of incentive shares and associated matching shares	1 Dec 2023	1 Dec 2022	1 Dec 2021	1 Dec 2020
Grant date of matching shares awarded for investment shares	1 Apr 2024	1 Apr 2023	1 Apr 2022	1 Apr 2021
Term - months	52	52	52	52
End of term	Mar 2028	Mar 2027	Mar 2026	Mar 2025
Share price at grant date (fair value) (€):				
Incentive shares and associated matching shares	€43.92	€38.17	€53.55	€40.72
Matching share and awarded for investment shares	€46.00	€42.56	€42.50	€46.52

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.

Employee Share plan ('ESP')

The Employee Share Plan (ESP) was introduced for selected group of executives starting on 1 September 2021. Participation in the ESP is voluntary. Executives participating in the ESP can acquire shares of Deutsche Post AG at a discount of 25% from the market price, up to a cap of €10,000 or €15,000, depending on their level. The ESP is offered quarterly. Prior to every savings period, the participating executives can choose the share of their remuneration they wish to invest in the ESP during the upcoming three-month savings period. At the beginning of the following quarter, executives receive shares at a discount of 25% from the market price.

A charge of £11,000 has been recognised representing the 25% discount (Year ended 31 December 2022: £9,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

21 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.

22 Capital and other financial commitments

	2023 £'000	2022 £'000
Contracts placed for future capital expenditure not provided in the financial statements		
Intangible assets	-	165
Property, plant and equipment	34,005	31,759
	<u>34,005</u>	<u>31,924</u>

The significant capital contributions in 2023 is largely due to contracts entered into for a new sorter and other mechanised equipment for a second hub that is being built with a 2024 go live date.

23 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.

Copies of the consolidated financial statements of the Deutsche Post DHL Group can be accessed online at dpdhl.com/en/investors.

24 Post Balance Sheet Events

As at the date of this report, there were no significant post-balance sheet events affecting the Company for the year ended 31 December 2023.