Deutsche Post Global Mail (UK) Limited

Annual report and financial statements

for the year ended 31 December 2019

Registered number: 02104109

Deutsche Post Global Mail (UK) Limited

Annual report for the year ended 31 December 2019

Contents

Deutsche Post Global Mail (UK) Limited

Directors and advisers

Directors
A Cooper
S Goodland
S Deipenbrock
O Sukowski
T Domson

Registered number - 02104109

Registered office
Ocean House
The Ring
Bracknell,
Berkshire
United Kingdom
RG12 1AN

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium,
1 Harefield Road,
Uxbridge, Middlesex,
UB8 1EX

Strategic report for the year ended 31 December 2019

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

Principal activities and business review

The principal activity of the company is the provision of international mail and parcel distribution.

The directors are pleased with the development of the business and are very optimistic about the company's future prospects. Revenue has grown by 19% in comparison to 2018. The overall operating profit has grown to £13,223,000(2018: £10,185,000) as a result of the revenue growth. Even though operating profit increased from prior year, net assets have decreased to £9,382,000 (2018:£31,134,000) due to dividend of £35,000,000 paid during the year.

Business environment

Deutsche Post Global Mail (UK) Limited competes in the international mail and parcel distribution market.

The traditional mail market has been in decline for a number of years now, however the company has managed to achieve its expectations. The growth area of the market is in the e-commerce sector both in developed and emerging markets. This is a highly competitive sector with some strong opportunities. The business also has a focus on advertising the mail services business to Germany where it has a strong competitive advantage.

Strategy

Deutsche Post Global Mail (UK) Limited is aiming to drive organic growth through strong customer loyalty. This is based on the "First Choice" philosophy of Deutsche Post DHL Group, which cultivates a culture where excellence and constant improvement are at the centre of our decision making process. The aim is to become and remain the first choice for all customers.

In line with this, the business aims to continue to grow volumes with existing customers and look for new customers and opportunities in the rapidly growing cross border e-commerce sector.

Future developments

The directors believe that future prospects remain positive, with the company well placed to continue to compete and take advantage of new opportunities within the market.

Key performance indicator ("KPI")

The company has met its key objective for 2019 to produce an operating profit before amortisation.

KPI	**2019** **£'000**	**2018** **£'000**	**Definition, method of calculation and analysis**
Operating profit before amortisation	**14,190**	**11,151**	Operating profit before amortisation is considered to be the appropriate indicator of managed performance. This increase in operating profit is mainly to the business successfully taking advantage of the opportunities within the growing e-commerce sector and increase in volumes in the sales channel section of the mail business

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

Risks are regularly reviewed and appropriate processes are put in place to monitor and mitigate them. The key business risks affecting the company in addition to the main mitigation actions taken are set out below.

Risk to information systems

Any prolonged interruption to the company's IT systems could have a material adverse effect on operations. Management continues to invest in their IT structure and active risk management processes are in place to minimise downtime. Software is updated regularly to address issues, close potential gaps in security and increase functionality. Employees have access only to relevant areas and all data are backed up on a regular basis and critical data are kept outside the premises.

Price risk

The company is exposed to commodity price risk as a result of its operations, principally fuel price exposures. The company has a policy of ensuring that volatility in fuel prices (to manage the exposure to commodity price risk) is underwritten where possible in customer tariffs and arrangements. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. Furthermore the company faces foreign exchange risks (as well as opportunities) which are covered centrally by group as appropriate.

Brexit

Following the United Kingdom's vote to leave the European Union on 23 June 2016, Deutsche Post DHL Group is working with trade associations and others to understand the potential implications for business. We do not anticipate short-term negative impact on our business. We are confident that any contingency measures that may be required are covered in our overall, standard risk planning.

As a general principle, Deutsche Post DHL Group is accustomed to dealing with political, regulatory, social and economic changes around the world. We are confident that we can make any necessary short and mid-term adjustments that are needed to ensure that disruption to our operations is averted and that customers continue to receive the seamless service they have come to enjoy from us. In the long term we are keen to work with the UK Government to ensure that cross border trade is not disrupted, that stability and confidence in the international supply chain is maintained, and that any concerns our employees might have are addressed.

Strategic report for the year ended 31 December 2019 (continued)

S172 Statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefits of its members as a whole. In doing this s172 requires a director to have regard, among other matters, to the:

- Likely consequences of any decisions in the long term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

This statement intends to set out how the Board of Directors, both individually and collectively, has taken into consideration the above matters when undertaking their duties during the year in discharging their s172 duties. The aim of the directors is to act fairly and in the best interests of the company over the long term. In making their decisions the directors also consider any associated risks when discharging their duties. Please see summary above for the company's principal risks and uncertainties surrounding the business.

The principal decisions of the Board are those that have a potentially material impact on the company's long term performance, value creation or a stakeholder group. The Board's principal activities during the year covered (i) review of monthly financial performance, (ii) approval of the annual budget, (iii) monitoring funding available to the business, (iv) review of progress in key actions of the executive management, and (v) review of specific matters that are reserved for the Board (set out in the reserved matters of our shareholder agreement).

We identify our key stakeholders as our employees, customers, suppliers, shareholders and regulators with whom we work. There was no principal decision of the Board that impacted our stakeholders during the year.

Please see directors' report for details on how the company engages with each of these stakeholders

On behalf of the Board

S. Deipenbrock

Sebastian Deipenbrock
Director

Directors' report for the year ended 31 December 2019

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

Results and dividends

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

	2019	2018
	£'000	£'000
Profit for the financial year	13,248	10,197

A dividend of £35,000,000 was paid during the year (2018: £nil).

Going concern

The company has received a commitment of financial support from its ultimate parent undertaking, Deutsche Post AG, and, therefore the directors have a reasonable expectation that the company has adequate resources to continue to meet its liabilities as they fall due for a period of at least 12 months from the date the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

Management continues to monitor the impact that the COVID-19 pandemic is having on the Company. The duration of any business disruption and related financial impact cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs. The extent to which the coronavirus pandemic may impact our operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the time of this filing, including new information that may emerge
concerning the severity of the coronavirus and steps taken to contain the coronavirus or treat its impact, among others

Nonetheless, out of concern for our employees and pursuant to the government order, Deutsche post Global mail UK Ltd has introduced without delay social distancing and most of the office staff are working from their homes. We continue to follow advice from health professionals and to observe Government guidelines on social distancing. We will review this situation regularly in line with official instructions.

We have also adjusted our business model, SOPs, work instructions and enabled our customers to interact with the business in a dynamic way. Restructured the operational and functional management teams to be able to effectively respond and manage exceptional demands and capacity. Changed our engagement and communications standards with our customers for them to be more inclusive in decision making on shipping options.

Going concern (continued)

Introduced enhanced payment monitoring with early warning on potential risks and to date we have no significant delay in payment of our billed invoices, nor do we have any current issues with cash flow.

No government initiatives or schemes have been taken up by the company.

Stakeholder engagement

Engaging and building trust with the broad range of stakeholders 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 shareholders and wider stakeholder groups plays a vital role throughout the business. We set out in the following table 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.

Shareholders	The support of our shareholders is vital to the long-term performance of the company. **What matters** · Financial performance and commercial success · Company's recurring contract revenue or "Book of Business" · Identify opportunities for growth/expansion · Understanding how our R&D strategy and initiatives can drive growth **How we engage** · Monthly board meetings & reports · Shareholder reporting · Regular meetings, calls and site visits · Annual statutory accounts · Annual budget · Corporate website **What we are doing** · Monthly board meetings to ensure that our shareholders understand our strategy and performance
Customers	A key focus for the company is that we are trusted to deliver a productivity, quality and compliance benefit to our customers. **What matters** · Understand customer specific needs in relation to their shipping and mailing requirements · Service performed safely and to a high standard · Service undertaken when scheduled and Efficiency of service · Data security of information **How we engage** · Regular customer contact through our account managers · Response to customer complaints to secure long-term business · Direct marketing and communications · Corporate website **What we are doing** · Strengthening our transport options and combinations to meet customer requirements and ensure we maintain high standards for service quality and timely delivery. · Management of ongoing customer relationships by reviewing customer retention and service realisations statistics

Directors' report for the year ended 31 December 2019 (continued)

Stakeholder engagement (continued)

Employees	We involve and listen to employees to help us maintain strong employee engagement and retain talented people. **What matters** · Training, development and prospects · Health and safety and working conditions · Diversity and equal opportunities · Fair pay & benefits · Tools to do the job **How we engage** · Employee engagement survey for employees to provide feedback · Workforce communications via various forms of media · Ethical code-of-conduct · Confidential reporting via phone and email **What we are doing** · Monitoring employee engagement through the employee survey and acting on feedback to improve engagement · Monitoring and acting on workplace health and safety matters
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, health and safety, and taxation. **What matters** · Compliance with environmental, health and safety regulations · Technical compliance · Compliance with workers' pay and conditions **How we engage** · Regular contact and discussion with regulators · We seek to deal with tax authorities in an open and collaborative manner · Corporate website · Annual statutory accounts **What we are doing** · Regular reports from our business on regulatory issues and engagement, especially around the security of mail transportation · Maintaining open relationships with regulators and tax authorities
Suppliers	We work with a number of key suppliers, who provide various services to us including services integral to our customers. **What matters** · Success of the Group · Opportunities to innovate and grow the relationship · Payment terms **How we engage** · Regular direct engagement · Collaborative working meetings **What we are doing** · We work closely with each supplier to ensure service required are anticipated in advance of eventual use of service by our customers · Conducting business with suppliers who share our high quality standards to ensure security of services provided

Directors' report for the year ended 31 December 2019 (continued)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk and liquidity risk. The company does not use derivative financial instruments.

The policies approved by the Board of Directors, which are consistent with Deutsche Post AG financial risk policies, are implemented by the company's finance department.

Credit risk

The company has policies in place that require appropriate credit checks on potential customers before sales are made, and on a regular basis thereafter. Debt finance is not utilised. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed monthly.

Liquidity risk

The company's debt profile is largely short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has interest bearing liabilities arising from borrowings from fellow subsidiary undertakings at market rates. The directors will review the appropriateness of this policy should the company's operations change significantly in size or nature, or the Deutsche Post AG policies for financing group undertakings change.

Future developments

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

Directors' indemnities

The company maintains liability insurance for its directors and officers. The company also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:
A Cooper
L Landewee (resigned 1st of May 2019)
O Sukowski
S Goodland
S Deipenbrock (appointed 1st May 2019)
T Domson (appointed 15th May 2020)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Directors' confirmations

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

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

Independent auditors

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

On behalf of the Board

S. Deipenbrock

Sebastian Deipenbrock
Director

Independent auditors' report to the members of Deutsche Post Global Mail (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Deutsche Post Global Mail (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Deutsche Post Global Mail (UK) Limited (continued)

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the Annual Report and the financial statements set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Deutsche Post Global Mail (UK) Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

Deutsche Post Global Mail (UK) Limited

Statement of Income and Retained Earnings for the year ended 31 December 2019

	Note	**2019**	2018
		£'000	£'000
Turnover	4	118,688	99,560
Cost of sales		(99,381)	(83,439)
Gross profit		19,307	16,121
Administrative expenses		(6,084)	(5,936)
Operating profit	5	13,223	10,185
Interest receivable and similar income		25	12
Profit before taxation		13,248	10,197
Tax on profit	8	-	-
Profit for the financial year		13,248	10,197
Retained earnings 1 January		**31,112**	20,915
Profit for the financial year		13,248	10,197
Dividend paid in the year		(35,000)	-
Retained earnings 31 December		9,360	31,112

The results for the current and prior year derive from continuing operations.

There are no recognised gains or losses other than the profit for the financial year of £13,248,000 (2018: profit £10,197,000, and therefore no separate statement of total other comprehensive income has been presented.

The notes on pages 15 to 29 form part of these financial statements.

Deutsche Post Global Mail (UK) Limited

Balance sheet as at 31 December 2019

	Note	**2019**	2018
		£'000	£'000
Fixed assets			
Intangible assets	9	1,931	2,898
Tangible assets	10	95	148
		2,026	3,046
Current assets			
Debtors	11	**29.915**	40,477
Total current assets		**29,915**	40,477
Creditors: amounts falling due within one year	12	**(22,529)**	(12,366)
Net current assets		**7.386**	28,111
Total assets less current liabilities		**9.412**	31,157
Provisions for liabilities	13	**(30)**	(23)
Net assets		**9,382**	31,134
Capital and reserves			
Called up share capital	16	22	22
Retained earnings		9,360	31,112
Total equity		9,382	31,134

The financial statements on pages 13 to 29 were approved by the board of directors and authorised for issue on 19 June 2020 and are signed on its behalf by:

S. Deipenbrock

Sebastian Deipenbrock
Director

Registered number: 02104109

Notes to the financial statements for the year ended 31 December 2019

1. General information

Deutsche Post Global Mail (UK) Limited ("the company") provides the services for distribution of international mail and parcel.

The company is a private company limited by shares incorporated and domiciled in the United Kingdom. The address of its registered office is
Ocean House
The Ring
Bracknell
Berkshire
United Kingdom
RG12 1AN

2. Statement of compliance

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

3. Summary of significant accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 17.

Basis of preparation
The financial statements are prepared under the historical cost convention on a going concern basis and in accordance with the Companies act 2006 and applicable UK accounting standards.

Going concern
At 31 December 2019, the company had net assets of £9,382,000 (2018: £31,134,000). The company's business activities, together with the factors likely to affect its future development, its financial position and its key risks and uncertainties are described in the strategic report on pages 2 and 3.

The directors, having made appropriate enquiries, consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the exemptions under FRS 102 paragraph 1.12 (b) from preparing a cash-flow statement, on the basis that it is a qualifying entity and its ultimate parent company, Deutsche Post AG includes the company's cash flow in its consolidated financial statements. Details of the address from which the financial statements can be obtained are included in note 19. In addition the company has taken advantage of exemptions from disclosing related party transactions and non-disclosure of key management compensation.

Turnover recognition

Turnover comprises the value of charges for the sale of services to third parties. Turnover is recognised when services have been completed, this is when the delivery arrives at its destination. Turnover excludes value added tax and equivalent taxes, duty and other disbursements made on behalf of customers and intercompany transactions.

Rebates are accounted for as a deduction from turnover where there is certainty that the contractual arrangements giving rise to the rebate have been met.

Goodwill

Purchased goodwill is capitalised and amortised by equal annual instalments through the profit and loss account over the directors' estimated useful life of up to 20 years. The company's policy prior to 1 January 1998 was to eliminate goodwill arising on acquisitions against reserves. Under the provisions of FRS 102, such goodwill will remain written off to reserves until disposal or termination of the previously acquired business, when the profit or loss on the disposal or termination will be calculated after charging the gross amount of any such goodwill. The carrying value of goodwill is reviewed by the directors for impairment at the end of the first full year after an acquisition and at other times if circumstances indicate that it may not be recoverable.

Tangible assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase cost and all cost directly attributable to bringing it into a condition for its intended use.

Depreciation of tangible fixed assets is charged evenly over their estimated useful lives at the following rates:

Fixtures and fittings	3-10 years

Assets that are not expected to be held for the whole of their useful lives are written down to estimated residual values at disposal. The carrying values of tangible fixed assets are reviewed for impairment if circumstances indicate that they may not be recoverable.

Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Impairment of non-financial assets
At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present valuc of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use.

Taxation
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 period 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.

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

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

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

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of Significant Accounting Policies (continued)

Pensions
The Deutsche Post Group maintains UK pension schemes; both defined benefit and defined contribution.

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan. See note 15 for more details on the company's defined benefit scheme.

The company also operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Foreign currency translation
All transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. Exchange differences arising on foreign currency transactions are included in the profit and loss account. The company's financial and presentational currency is the pound sterling.

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

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

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

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

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

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

Financial instruments (continued)
(ii) Financial liabilities

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

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

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

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

Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

Critical accounting judgements and estimation uncertainty
Estimates and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. **Impairment of debtors**
The company makes an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including current credit rating, ageing profile of the debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

b. **Useful economic lives of tangible assets**
The annual depreciation charge for tangible assets is sensitive to change in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed regularly. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets. See note 10 for the carrying amount of the property, plant and equipment and the tangible fixed assets and depreciation section of this note for the useful economic lives of each class of assets.

c. **Defined benefit pension scheme**
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 14 for the disclosures relating to the defined benefit pension scheme.

d. **Impairment of goodwill**
Purchased goodwill is amortised by equal annual instalments through the profit and loss account over the directors' estimated useful life of up to 20 years. The carrying value of goodwill is reviewed by the directors for impairment at the end of the first full year after an acquisition and at other times if circumstances indicate that when the carrying value exceeds the recoverable amount. The recoverable amount is the higher fair value less costs to sell and value in use. See note 9 for the carrying amount of goodwill.

Notes to the financial statements for the year ended 31 December 2019 (continued)

5. Turnover

Turnover relates to the company's principal activity, which the directors consider constitutes a single class of business. The geographical origin of turnover was the United Kingdom.

6. Operating profit

The following amounts have been charged/ (credited) in arriving at the operating profit:

	2019	2018
	£'000	£'000
Staff costs:		
Wages and salaries	2,248	1,857
Social security costs	159	93
Other pension costs	85	51
Total staff cost charged to the statement of income	2,492	2,001
Goodwill amortisation	967	966
Depreciation	70	83
Operating lease charges	160	205
Impairment of trade receivables	111	(28)
Auditors' remuneration – audit fees	49	48
Exchange loss	123	69

7. Directors' emoluments

	2019	2018
	£'000	£'000
Aggregate emoluments (including benefits in kind)	261	133
Company pension contributions to money purchase scheme	12	7
	273	140

During the year under review retirement benefits were accruing to 2 directors (2018: one director) under a defined contribution scheme. In addition, the emolument of Lars Landewee and Oliver Sukowski is paid by Deutsche Post AG, no recharge is made to the company. These directors are also directors of other associated DHL entities and it is not possible to make an accurate apportionment of their emoluments in respect of each entity.

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Employees

The average monthly number of persons employed during the year was as follows:

	2019 Number	2018 Number
By activity		
Administrative	**15**	14
Sales/marketing	**19**	8
	34	22

Details in respect of employee costs are included in note 5.

9. Tax on profit

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

	2019 £'000	2018 £'000
Current tax	-	-
UK corporation tax on profit for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(43)	(5)
Impact of changes in tax rates	11	1
Adjustment in respect of prior years	(2)	-
Movement on UK deferred tax not recognised	33	4
Total deferred tax	-	-
Total tax per Statement of Income and Retained Earnings	-	-

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Tax on profit (continued)

Reconciliation of tax charge
The tax assessed for the year differs from (2018: differs) from the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below.

	2019 £'000	2018 £'000
Profit before taxation	13,248	10,197
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	2,517	1,938
Effects of:		
Expenses not allowable for UK tax	186	178
Transfer pricing adjustments	-	(5)
Impact of changes in tax rates	11	1
Group relief claimed from other group companies	(2,745)	(2,116)
Adjustments in respect of prior years	(2)	-
Movement of UK deferred tax not recognised	33	4
Tax charge on profit on ordinary activities	-	-

Tax rate changes.

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

10. Intangible assets

	Goodwill
	£'000
Cost	
At 1 January 2019	8,696
At 31 December 2019	**8,696**
Accumulated amortisation	
At 1 January 2019	(5,798)
Charge for the year	(967)
At 31 December 2019	**6,765**
Net book amount	
At 31 December 2019	**1,931**
At 31 December 2018	**2,898**

The goodwill relates to the acquisition of the Worldmail business on 1 January 2003 from Deutsche post Global Mail services Limited. This was transferred to Deutsche post Global Mail UK Ltd on the 1st of January 2013 and generated a goodwill that is amortised over 20 years.

Notes to the financial statements for the year ended 31 December 2019 (continued)

11. Tangible assets

	Fixtures and fittings
	£'000
Cost	
At 1 January 2019	375
Additions	17
At 31 December 2019	**392**
Accumulated depreciation	
At 1 January 2019	(227)
Charge for the year	(70)
At 31 December 2019	(297)
Net book amount	
At 31 December 2019	95
At 31 December 2018	148

12. Debtors

	2019	2018
	£'000	£'000
Trade debtors	18,930	11,403
Amounts owed by group undertakings	8,029	26,496
Prepayments and accrued income	2,956	2,578
	29,915	40,477

All amounts owed by group undertakings are unsecured, interest free and should be repaid within group intercompany credit terms, which is 30 days. Trade debtors are stated after provisions for impairment of £223,105 (2018: £214,000).

Notes to the financial statements for the year ended 31 December 2019 (continued)

13. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	6	4
Trade creditors	1,579	1,151
Amounts owed to group undertakings	15,701	8,211
Other creditors	33	52
Taxation and social security	3,887	2,498
Accruals and deferred income	1,323	450
	22,529	12,366

All amounts owed to group undertakings are unsecured, interest free (other than for in-house bank facility within the group amounting to £14,816,000 (2018: £7,725,000) which are charged at market rate of interest) and should be repaid within groups intercompany credit terms, which is 30 days. Bank overdraft is direct debits paid by entity cleared by the in-house bank facility the next day. There is no overdraft facility available to entity from any third party bank.

14. Provisions for liabilities

	Dilapidation provision	**Total**
	£'000	**£'000**
At 1 January 2019	23	23
Additions	7	7
At 31 December 2019	**30**	**30**

Dilapidation provision covers the costs of returning a property to conditions acceptable by the landlord. The provision relates to property with lease end dates in 2021.

15. Pensions

The company participates in contributory funded pension schemes operated by the Deutsche Post DHL Group in the United Kingdom. .

The four major UK sections for employees providing services to the company are the Exel Retirement Plan ('ERP'), the Ocean Nestor Pension Section ('OCN'), the Tibbett & Britten Pension Section ('T&B') and the DHL NHS Supply Chain Pension Section ('NHS'). In addition a small number of staff are members of the DHL UK Pension Section ('DHL UK'). These sections are part of the DHL Group Retirement Plan ("the Plan"), including both defined benefit and defined contribution type arrangements, which is administered by external trustees independently of the Deutsche Post DHL Group's finances. These sections cover 91.5% (2018: 93.0%) of UK employees; defined benefit arrangements account for 0.0% (2018: 1.0%) of the membership of the Plan. The TSO Section was merged into the Exel Retirement Plan Section during 2018.

Actuarial valuations are carried out every three years. The latest valuations of the sections were made as at 31 March 2018 by Willis Towers Watson. The values of the sections' liabilities at 31 March 2018 have been updated by Willis Towers Watson to assess the liabilities of the sections at 31 December 2019 for the purposes of FRS 102 disclosures. The Plan's assets are stated at their market value at 31 December 2019.

A decision was made during 2013 to close all sections of the Plan, except the NHS section, to future accrual on a defined benefit basis with an effective date of 31 March 2014. From that date all active members became deferred members and accrued benefits on a defined contribution basis.

A decision was made to close the NHS section to future accrual on a defined benefit basis with an effective date of 1 April 2019. From that date all active members became deferred members and accrued benefits on a defined contribution basis. As part of a bulk transfer arrangement, it is expected that 42.0% of staff will transfer out of the NHS Section of the pension scheme back to government related pension schemes during 2020.

Contributions of £0.8m (2018: £7.4m) have been made by Deutsche Post DHL subsidiaries during the financial year in respect of the NHS section.

At 31 December 2019 the sections were valued at a surplus of £98m (2018: £127m).

All the staff providing services to Deutsche Post Global Mail (UK) Limited are employed by DHL Services Limited, a fellow group undertaking. The company receives a charge from DHL Services relating to those staff, which includes an element relating to pension costs. Further details of the accounting for defined benefit pension schemes are disclosed in the financial statements of DHL Services Limited. Pension contributions made in respect of employees providing services to Deutsche Post Global Mail (UK) Limited were £85,000 (2018: £51,000) during the financial year relating to both defined benefit and defined contribution schemes.

Notes to the financial statements for the year ended 31 December 2019 (continued)

16. Capital and other commitments

Capital commitments

The company had no capital commitments as at 31 December 2019 (2018: £nil).

Operating leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods

	Other operating leases	
	2019	2018
	£'000	£'000
Within one year	**117**	96
Within two to five years	**159**	169
	276	265

17. Called up share capital

All the issued shares in the company are fully paid up and rank pari passu for all purposes.

	2019	2018
	£'000	£'000
Authorised		
20,000 (2018: 20,000) ordinary shares of £1 each and	20	20
1,980,000 (2018: 1,980,000) ordinary A shares of £0.001 each	2	2
	22	22
Allotted and fully paid		
20,000 (2018: 20,000) ordinary shares of £1 each	20	20
1,980,000 (2018: 1,980,000) ordinary A shares of £0.001 each	2	2
	22	22

Notes to the financial statements for the year ended 31 December 2019 (continued)

18. Deferred tax

A summary of the company's deferred tax asset is as follows:

	2019	2018
	Unrecognised	Unrecognised
	£'000	£'000
Decelerated capital allowances	19	17
Other timing differences	93	62
Net deferred tax asset	112	79

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

The company had a net deferred tax asset as 31 December 2019 of £112,000 (2018: £79,000) which has not been recognised in the financial statements because the company will not benefit from the reversal of deferred tax assets as a result of an agreement entered into with Exel Limited. An announcement was made in the Budget on 11 March 2020 that the reduction in corporation tax rate from 19% to17% which was to come into effect from 1st April 2020 and which was enacted at the balance sheet date would be cancelled. The impact of the change once enacted will be to increase the unrecognised deferred tax asset to £125,000

19. Contingent liabilities

The nature of the company's business and the extent of its operations are such that it is from time to time involved in legal proceedings, as plaintiff or defendant. No such current proceedings are expected to have a material effect on the company.

For UK corporate tax purposes the company has made collective payment arrangements with other undertakings in the Group; under these arrangements the company has a joint and several liability for amounts owed by those undertakings to HMRC.

20. Ultimate parent company and ultimate controlling party

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

20. Events after the reporting period

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

Based on the advice of the FRC, for 2019 year ends there is general consensus that COVID-19 is a non-adjusting event for the vast majority of UK entities. Therefore, the Company is not required to adjust the amounts that appear in the accounts unless events after the balance sheet date call seriously into question the validity of the going concern assumption.