Post Office Limited Annual Report & Consolidated Financial Statements

2023/24

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Registered number 02154540

POST
OFFICE

Contents

Within this document, the term 'Postmaster' is representative of the entire network, including Independent Postmasters, Strategic Partners and Directly Managed Branches.

Strategic Report

The Strategic Report for Post Office comprises the Chair's Foreword, Chief Executive's Statement and Financial and Business Review.

Chair's Foreword

This year was undoubtedly one of the most challenging in Post Office's 360-year history and learning from the serious failings of the past through the process of the Post Office Horizon IT Inquiry ("POHIT Inquiry") is imperative for the organisation.

When I joined as Chair, I committed to two clear priorities agreed with the Secretary of State and communicated to postmasters and colleagues. Firstly, to ensure full and fair financial redress for the victims of the Horizon IT scandal and secondly to deliver a sustainable future for our postmasters and the communities which rely on them.

That is why I commissioned an independent Strategic Review of our commercial proposition, network, operations, technology and relationship with postmasters, in consultation with stakeholders including postmasters, subject matter experts, Government, commercial partners, consumer bodies and beyond. In November 2024, this review concluded and the implementation of a transformation programme began.

My ambition is that in partnership with the Department for Business and Trade ("Shareholder"), we deliver modernisation and fundamental change across the Post Office organisation, renewing its culture and making it more financially stable, more attractive to commercial partners and less reliant on Government subsidies.

Commercially, we will be building on our strengths in a year that has seen record amounts of cash handling, Banking Hubs rolling out at pace and a diverse range of mails products with five global carriers and our own online portal. Post Office platform products like insurance continue to benefit from our strong brand and deliver vital revenue for the business.

But without doubt it is our postmasters who have stewarded the Post Office brand through this difficult period so that we could generate a trading profit of £22 million, with their passion for customer service and dedication to their communities.

Postmasters did not share in enough of our revenue and that needs to change. In developing our transformation programme based on the recommendations of the Strategic Review, my intention is that together with the support of our Shareholder, we develop a more progressive business model.

Our new business model will need to build on the recent successful innovations in cash, banking and mails services, while leveraging the Post Office's trusted brand in high streets across the country and on its digital channels online. It must offer a better service to our communities, combined with more autonomy and higher revenues for postmasters.

The POHIT Inquiry has now finished hearing oral testimony from a range of participants, including current and recent leaders of the business and there remains much to learn and to embed into our organisation culturally as we move forward.

I am confident that we can deliver a new deal for postmasters that creates value for communities right across the UK and it is this public service mission that must unite the organisation as it moves forward.

Since the end of the financial year, Nick Read has resigned as Group Chief Executive Officer ("CEO") but will continue to serve in that role until March 2025. I am grateful to Nick for leading the organisation through one of the most difficult years in its history and for the work he has done in beginning the change the business desperately needs. The process to appoint his successor is underway and in the meantime, Neil Brocklehurst has stepped up as our Acting CEO.

Nigel Railton
Interim Chair
17 December 2024

Chief Executive's Statement

This was the year in which the country as a whole was exposed to the full extent of the pain, loss, and distress caused by the Horizon IT scandal, following the broadcast of ITV's drama Mr Bates v The Post Office in January 2024. The outpouring of anger which followed was both merited and understandable. While the profound regret in relation to this period experienced by those working in the Post Office is sincere, what matters for those whose lives have been so badly affected is what we are doing to provide full and fair redress and what steps we are taking to ensure that no-one will ever again face such injustice.

As I noted soon after I joined the business in 2019, it became clear that in the rush to become profitable, and to satisfy those seeking significant reductions in the scale of public subsidy, Post Office lost sight of its most defining feature and greatest asset. We have sought ever since to become a relentlessly postmaster-centric organisation. Though that work is far from complete and must continue to be our central focus, we have made progress in support of that overriding objective, with further plans announced in November 2024 when the implementation of the Strategic Review was launched.

Our dealings with postmasters have been methodically reviewed to ensure that they seek to reflect not only compliance with the findings in the Group Litigation Order ("GLO") judgments but best practice too. Our reforms have set out to embed a transparent, collaborative, and supportive approach in handling every issue which crops up in the context of the successful running of a post office branch.

To underpin this collaborative approach, and ensure that postmasters feel heard, we have initiated regular engagement sessions and listening groups across the country. These forums are an opportunity for postmasters to meet senior staff face-to-face and provide a platform for them to voice their concerns, share lived experiences, and contribute to the daily work of improving our systems and processes.

As a commercial business, our support must also extend to enabling postmasters to meet their customers' changing needs and preferences. Over the last year or so, we have continued to bring important innovations to our formats and service lines. The lighter Drop & Collect format has enabled us to take the competition to a market in which we have traditionally been under-indexed, and new commercial agreements with Amazon, Evri, and DPD are, for the first time, offering our customers real choice as they select the best carrier to entrust their parcels with.

Together with others, we were rewarded for our persistence in calling for legislation to protect free to use cash services with the passing of the Financial Services and Markets Act 2024. The legislation is fundamental to ensuring the continued use and availability of cash services nationwide, including through our branch network of over 11,500 branches, and cements our position as the key player in the UK's cash system. Our new Banking Hubs provide a vital facility for our small business customers to continue to access these services locally and conveniently in a dedicated space, even when the last bank in town shuts its doors.

It is no surprise that our annual Postmaster survey once again shows improved remuneration to be the major concern for postmasters, and this must remain the focus. Over the last five years, we have made increases to remuneration through enhancements to product related fees, as well as other one-off payments. For 2023/24 we announced a £26 million package of remuneration improvements, including a 20% increase to the rates paid for banking deposits, a key growth area across our network. We have committed to grow the total share of Post Office revenue going to postmasters, where further ambitions were announced as part of the implementation of the Strategic Review.

A business conducting billions of transactions every year must be underpinned by user-friendly and efficient information technology infrastructure assuring the highest possible levels of integrity. Our new systems must command the confidence of those who will be using it day-to-day across Europe's largest retail network. In the last few years, we have learned many lessons and have now developed clear thinking and plans for the future of our technology platforms. We will continue to engage and involve postmasters throughout the design, development and rollout of effective new solutions that enable our strategic vision for the business. The current assessment of options will strive to deliver fit for purpose solutions to branches in a low risk, iterative and cost effective way.

The key enabler of progress is culture, based on a clear understanding of our responsibilities to postmasters and the damage that flows from a failure to live up to them. We have rolled out mandatory training for all Post

Office employees which includes the scandal and the litigation which brought it to light, so that all employees are aware of, and have an opportunity to learn from, the past. A robust Whistleblowing policy, ‘Speak Up’, protects employees and postmasters who report concerns about the Horizon system or any other operational issue. From developing new back-office processes to designing marketing campaigns, from meeting Members of Parliament to briefing the business at our weekly all-staff meetings, postmasters are working alongside members of staff, co-creating the things we need to be a better business.

I have always been clear, however, that ensuring that victims of the scandal receive full and fair financial redress as quickly as possible remains the number one priority for the business. We have worked hard to get money to people faster through the schemes that Post Office is administering, continuing to listen, to improve and to streamline the process for claims, whilst also supporting the Government in the schemes it is running. More recent decisions taken by Government, such as the introduction of optional Fixed Sum Offers, are now enabling further acceleration of redress. By the end of the financial year £177 million had been paid out by Post Office’s Remediation Unit, a figure which will continue to increase in the new year as we continue to quicken the pace, alongside doing all we can to encourage claims from those who may have been affected, but have yet to come forward.

Of course, no amount of financial redress can replace what has been lost to victims. Over the last two years or more, I have learned from meetings with some of them just how important it is to know that their experiences and stories are truly heard by Post Office, through a face-to-face conversation, and acted upon. As part of our restorative justice programme, senior colleagues, including myself, continue to meet with any victims who wish to do so. I do not underestimate the difficulty and courage of those who choose to meet, and I am extremely grateful to all those that do. I also completely understand how this is, for some, a step too far.

While I do think we have made important progress in the last 5 years, there remains a lot to do, for instance in revisiting the language used in postmaster-facing operational guides which still do not properly reflect the new approach, or in looking for new ways to accelerate payments which are, frustratingly, still taking far too long.

There should be no mistaking the progress I describe above as suggesting that Post Office is ‘fixed’. It is very far from reaching that point. Across the full range of these issues, there is no time to waste nor room for complacency. That is well understood by Nigel Railton whose arrival, combined with the immediate launch of an end-to-end Strategic Review of the business, has injected a welcome and powerful new dynamic into the equation. The scale of the ambition is unmistakable, as is the energy and impatience of new and existing staff to get on with it.

Post Office’s central objective is nothing less than the settlement of a new deal for postmasters, building on the progress we have made and taking it to the next level: not simply empowering postmasters but giving them much wider support from there, a new Government, a new Shareholder, keen to reform and build for the long term, may well bring fresh ideas about future ownership models as well as the political will to act on them. These are exciting times and I think it is now possible to imagine that from the profound shock, harm, and distress so many are still working through, something positive will emerge.

I wish Nigel and his team, and the Post Office community, every success in delivering the next phase of Post Office’s evolution. I would also like to take this opportunity to thank everyone I have had the privilege to work alongside over the last five years. Eventful and challenging though they have often been, it has been my good fortune to have had many brilliant and dedicated colleagues, postmasters, Ministers, and officials alongside me as we made progress across difficult terrain. They know, as I do, that the Post Office is a nationally significant institution which, despite the turmoil of recent years, can have a bright future at the heart of our communities. That is why we work here – the Post Office matters in a way few businesses do – and why we should do all we can to preserve it for the long term.

Nick Read
Chief Executive Officer
17 December 2024

Financial and Business Review

Overview

The Group recorded a total statutory loss of £414 million for the financial year ended 31 March 2024, significantly higher than the £76 million loss reported in 2023. The current financial year loss was primarily driven by an overall exceptional expense of £816 million (2023: net credit £135 million) relating to costs associated with Remediation Matters[1] including revisions to provision estimates, costs associated with the POHIT Inquiry and the recognition of a £72 million (2023: £nil) provision for additional tax and penalties the Group may incur as a result of potential historical inaccuracies associated with employment legislation (IR35). In addition, gross fixed asset impairments amounting to £143 million (2023: £255 million) were recognised, reflecting the challenging trading outlook. Further explanation of these movements is provided within this report.

The Group's trading profit, being an alternative performance measure as defined in note 23 to the financial statements, decreased by £28 million to £22 million (2023: £50 million). The Group saw strong performance in banking services income led by growth in deposits. The Mails business remained relatively flat, compared to the decline seen in recent years, with non-Royal Mail products such as 'Returns' and 'Drop Off' showing growth of 300% year on year. However, these positive factors were outweighed by several factors impacting both revenue and costs. Payment Services revenue declined sharply in the financial year due to the absence of non-repeating energy bill payout schemes, which was a key driver of Payment Services revenue in 2022/23. Additionally, the cost base faced pressure from increased headcount in IT, a renewed approach to the provision for network losses and the impacts of inflation, reducing trading profit.

	2024 £m	2023 £m	Variance £m	Variance %
Revenue	**912**	885	27	3
Costs (note 1)	**(915)**	(865)	(50)	6
Other operating income	**-**	1	(1)	(100)
Share of profit from joint venture	**25**	29	(4)	(14)
Trading profit (note 2)	**22**	50	(28)	(56)

	2024 £m	2023 £m	Variance £m	Variance %
Adjusted EBITDA (note 3)	72	100	(28)	(28)
Loss for the financial year	(414)	(76)	(338)	(445)

Note 1 – Excludes exceptional items, investments, impairment, finance costs, depreciation and amortisation.

Note 2 – Alternative performance measure being operating profit before depreciation, amortisation, impairment, exceptional items, investments, profit on disposal of property, plant and equipment and Network Subsidy Payment. This is explained further in note 23 to the financial statements.

Note 3 - Alternative performance measure being operating profit before depreciation, amortisation, impairment, exceptional items, investments and profit on disposal of property, plant and equipment. This is explained further in note 23 to the financial statements.

The loss of £414 million (2023: loss of £76 million) recognised in the financial year has further increased the Group's net liabilities position, which totalled £1,210 million (2023: £799 million) as at the balance sheet date.

The Group's significant net liabilities position has been primarily driven by provisions for Remediation Matters[1] and associated costs, alongside significant impairments recognised in both the current and prior financial years and the recognition of a new provision in the financial year, related to additional employment legislation (IR35)

[1] Remediation Matters incorporates all activity associated with righting the wrongs of the past including the Horizon Shortfall Scheme, Overturned Convictions, Suspension Remuneration Review and Post Office Process Review. See notes 1 and 4 of the Group financial statements for further details.

tax and penalties that the Group may incur.

The Group discloses contingent assets in these financial statements relating to funding made available by Government to fund Remediation Matters settlements. However, the Group will only recognise an asset when the quantum for each specific claim settlement becomes virtually certain, being the point at which an offer is accepted. As such, it prevents the recognition of significant funding assets, which would otherwise materially reduce the net liability position. As settlements are agreed with claimants, any corresponding funding will be recognised, offsetting the income statement impact of previously recognised provisions, to the extent they are funded by Government.

Revenue

During the financial year, the Post Office business was re-organised into four commercial pillars: (1) Mails; (2) Retail, Government and Identity Services; (3) Banking and ATMs; and (4) Financial Services, Insurance, Travel Money, and Payment Services. Revenue from our subsidiary, Post Office Management Services Limited ("POMS"), is included within the Insurance line. Revenue from our subsidiary Payzone Bill Payments Limited ("Payzone") is included within the Payment Services line. These divisions and their performance are detailed on the following pages.

	2024 £m	2023 £m	Variance £m	Variance %
Revenue				
Mails – Royal Mail	**307**	307	-	-
Mails – Non-Royal Mail	**12**	3	9	300
Mails	**319**	310	9	3
Retail, Lottery & Gift Cards	**27**	31	(4)	(13)
Government Services	**30**	26	4	15
Identity Services	**5**	6	(1)	(17)
Retail, Government & Identity Services	**62**	63	(1)	(2)
Banking Services	**256**	237	19	8
ATMs	**27**	26	1	4
Voucher Encashment	**2**	4	(2)	(50)
Banking & ATMs	**285**	267	18	7
Mortgages, Savings, Loans & Credit Cards	**72**	68	4	6
Insurance	**59**	52	7	13
Travel Money	**39**	36	3	8
International Money Transfer	**36**	33	3	9
Payment Services	**30**	43	(13)	(30)
Financial Services, Insurance, Travel Money & Payment Services	**236**	232	4	2
Supply Chain/Other (note 1)	**10**	13	(3)	(23)
Total Revenue	**912**	885	27	3

Note 1 - Supply Chain income of £10 million (2023: £10 million), arises predominantly from the warehousing of Royal Mail stock and the transport of high value mails. In the prior year, the balance also included the release of Bank of Ireland deferred income of £3 million.

Mails

Includes the sale of parcel labels, Special Delivery, and home shopping returns as well as other mails products provided by Royal Mail, Parcelforce, DPD, Amazon, Evri and DHL. Underlying mails trading increased by £9 million to £319 million (2023: £310 million) driven by growth in non-Royal Mail carriers.

Retail, Lottery & Gift Cards

This revenue represents physical items sold over the counter including retail items, lottery tickets and gift cards. Revenue decreased by £4 million to £27 million (2023: £31 million) with lottery products no longer being sold from January 2024.

Government Services

Revenue from His Majesty's Passport Office ("HMPO"), DVLA services and UK Visas and Immigration residency permits. Revenue increased by £4 million to £30 million (2023: £26 million). Price increases on DVLA products have more than offset declining passport volumes caused by fee increases and HMPO strikes.

Identity Services

Revenues arise predominantly from digital identity, in-branch document verifications and Disclosure & Barring Services. Revenue decreased by £1 million to £5 million (2023: £6 million) with no Verify revenue in 2023/24 as this product was withdrawn during 2022/23. However, as higher Verify volumes incurred higher associated fees, the impact on profit is minimal.

Banking Services & ATMs

Revenues relate to customer banking deposits and withdrawals over the counter. Banking services and ATMs' revenue increased by £18 million to £285 million (2023: £263 million). Deposits' revenue was up £14 million, driven by higher overall volumes and value of deposits. Revenue from Cash Access UK in relation to Banking Hubs increased by £3 million with 31 new Banking Hubs opened during the year. The fixed fee element of the banking framework, being based on activity levels over a 12-month rolling period, increased by £2 million. ATMs' revenue increased by £1 million with a marginal increase in volumes year on year. Voucher encashment revenue reduced by £2 million year on year.

Mortgages, Savings, Loans & Credit Cards

Combined mortgage, savings, loan and credit cards revenue increased by £4 million to £72 million (2023: £68 million). This was predominantly due to higher incentive commission from Bank of Ireland and reflects the impact of consistently higher interest rates throughout the year.

Insurance

POMS provides travel, life and general insurance policy cover. Insurance revenue increased by £7 million to £59 million (2023: £52 million). The two drivers of this growth were Travel insurance and Protection insurance, which increased by £3 million each.

Travel Money

Travel money revenue increased by £3 million to £39 million (2023: £36 million) due to continued strong volumes and a leading presence in the Travel market.

International Money Transfer

International money transfer products include MoneyGram (product ceased in October 2024), Western Union and Postal Orders. Revenue increased by £3 million to £36 million (2023: £33 million) led by growth in Western Union volumes, partially offset by the corresponding adverse impact this had on MoneyGram volumes.

Payment Services

Payment services includes bill payment transactions and the Payzone business. Revenue has decreased by £13 million to £30 million (2023: £43 million) due to non-recurring council tax and energy rebate schemes operating in the prior year.

Joint Venture

Post Office has a joint venture with the Bank of Ireland with each party holding 50% of First Rate Exchange Services Holdings Limited ("FRESH") FRESH is the holding company of First Rate Exchange Services Limited ("FRES"), which is the joint venture operating company. The principal activity of FRES is the supply of foreign currency exchange and FX note wholesaling in the UK to Post Office and others. FRESH continues its strong performance post the Covid-19 pandemic recovery, albeit at a slightly lower level due to less pent-up demand, with Post Office's share of post-tax profits from the joint venture being £25 million (2023: £29 million).

Costs

Total trading costs increased by £50 million to £915 million (2023: £865 million). People costs, excluding amounts recognised in investment spend and amounts capitalised as intangible assets, increased by £25 million to £200 million (2023: £175 million). Average headcount increased from 3,486 in 2022/23 to 3,679 in 2023/24 reflecting capability builds, particularly in the IT function, and additional resource required to support the Horizon replacement and Remediation Matters programmes. Closing headcount for the year was 3,719 (2023: 3,592).

Other trading costs, excluding postmaster remuneration and people costs, have increased by £11 million to £299 million (2023: £288 million), primarily driven by higher IT costs and a renewed approach to the provision for network losses.

Postmaster remuneration

Postmaster remuneration, which includes payments made to Payzone agents of £3 million (2023: £3 million), increased by £14 million to £416 million (2023: £402 million) driven by increased Banking deposits, DVLA rate increases and Mails increases. In addition, a one-off £5 million of postmaster remuneration was recognised in March 2024 and subsequently paid in April 2024, to share the success of Post Office's strong online performance during the year.

Exceptional Items

Exceptional items are significant, one-off items which require separate disclosure in the income statement due to their material size and nature. An overall exceptional expense of £816 million (2023: £135 million credit) was recognised in the year, relating to costs associated with Remediation Matters including revisions to provision estimates, costs associated with the POHIT Inquiry and the recognition of a provision related to employment legislation (IR35). The main driver of this significant increase was the uplift to the Horizon Shortfall Scheme ("HSS") provision, resulting in a net exceptional expense of £745 million (2023: £16 million) after discounting. Additionally, an £18 million (2023: £nil) provision for the Post Office Process Review ("PPR") was recognised. These increases were partially offset by a £107 million net credit related to the Overturned Convictions ("OC") provision. The Group has also recognised a provision of £72 million for estimated additional tax and penalties that may be incurred as a result of historical inaccuracies associated with tax legislation (IR35). In addition to the net increase in provisions, POHIT Inquiry related costs increased materially year on year with £82 million (2023:

£38 million) recognised in the year, partially due to the additional hearings that took place to determine and understand disclosure failings and the disclosure remediation exercise that followed to address them.

Remediation Matters related items are explained further below and are detailed in notes 1 and 4 to the financial statements.

POHIT Inquiry

The POHIT Inquiry, led by Sir Wyn Williams, was placed onto a statutory footing on 1 June 2021 and began its oral hearings in February 2022. Phases 3 and 4 occurred in the financial year and the business incurred costs of £82 million (2023: £38 million) on related legal and running costs.

Remediation Matters running costs

During the financial year, £36 million (2023: £54 million) of Remediation Matters running costs were incurred. Running costs associated with the Remediation Matters schemes were funded by Post Office up until 31 March 2023, with running costs from 1 April 2023 funded by Government. Government funding in respect of these costs is in place until 31 March 2026; refer to the going concern section in note 1 to the financial statements for further details.

Horizon Shortfall Scheme

As part of the settlement reached with the claimants in the Post Office Group Litigation in 2019, Post Office agreed to establish a remediation scheme open to postmasters who had not participated in the Group Litigation but who had experienced similar issues relating to shortfalls indicated by previous versions of the Horizon system. The agreement to establish this scheme in December 2019 was deemed to be the triggering event on which to recognise a provision. In line with the requirements of IAS 10, developments occurring in relation to the scheme up until the point of signing these financial statements are reflected in the accounting estimates made as at the balance sheet date, as adjusting events after the reporting date.

As at 6 December 2024, the HSS had received 5,891 claims. Since October 2022, eligible late claims have been accepted to the scheme. Of the pre-October 2022 applicants, offers have been made to 100% of eligible claims (2,417) and accepted by 86%. On 13 March 2024 the Government announced that all eligible applicants to the HSS would be invited to apply for a Fixed Sum Offer of £75,000, in full and final settlement of their claim, without the need to go through a full assessment process (the "Fixed Sum Offer"). In October 2024 Post Office began to write out to around c.25,000 former and current postmasters who have not yet applied to the HSS to encourage them to come forward and apply if they wish, including the option to apply for the £75,000 Fixed Sum Offer instead of full scheme assessment if they prefer. Top up payments have been made to those individuals who had already settled their claims for less than £75,000, with the process beginning after the balance sheet date. The impact of both the announcement of the Fixed Sum Offer and the business decision to reach out to all current and former postmasters to encourage all eligible individuals to apply has been reflected in the provision estimate, with an increase recognised in the expected number of applicants.

A provision of £814 million (2023: £127 million) has been retained in respect of the HSS, after adjusting for the impact of discounting of £36 million (2023: £nil) to bring the provision to present value, in accordance with the requirements of accounting standards. The scheme made settlements of £58 million (2023: £61 million) in the financial year to scheme claimants, which were more than offset by significant increases in estimates based on the developments outlined above.

The provision represents management's best estimate of the potential future payments associated with the claims received and those expected through the eligible late claims process. The provision requires a number of significant estimates and assumptions by management, with significant uncertainty regarding the volume and amounts of claims that might be received.

Government funding agreements for the scheme are in place until 31 March 2026. Post Office funded the first

£87 million of settlements, with all remaining settlements expected to be funded by Government. The £87 million settlement level was exceeded in 2023/24 and Government is now providing funding for settlements, with £41 million of funding recognised in 2023/24 (2023: £nil).

Further details regarding Government funding and associated assumptions are available within the going concern section in note 1 to the financial statements. Additionally, details regarding the accounting estimates made by management in deriving the HSS provision value are included in the critical accounting estimates section in note 1 to the financial statements.

Overturned Convictions

In March 2020, following two High Court judgments which were handed down in March 2019 and December 2019, the Criminal Cases Review Commission ("CCRC") announced its decision to refer a number of historical convictions of postmasters, branch managers and/or branch assistants to the relevant appeal courts to decide if these convictions should be overturned on the grounds of abuse of process.

Between the CCRC's announcement in March 2020 and 27 August 2024, the appellate courts (which includes the Court of Appeal (Criminal Division) ("CACD"), the Southwark Crown Court, the Scottish High Court and the Court of Appeal in Northern Ireland*)* overturned 111 convictions, of which Post Office was the prosecutor for 99 (together, "the Appeals"). On 24 May 2024 the Post Office (Horizon System) Offences Act 2024 (the "Act") was passed which resulted in the mass overturning of Horizon related convictions in England and Wales and Northern Ireland. The Scottish Parliament enacted the Post Office (Horizon System) Offences (Scotland) Act 2024 for the same purpose to cover Scotland.

All those whose convictions were quashed by the Acts will be entitled to apply for payments in redress directly from Government. Individuals whose convictions were overturned in the appeals will continue to receive payments in redress from the Group, along with any individuals who were not postmasters and were prosecuted but not convicted. The OC provision reflects the split in the liability, resulting in a net reduction in the estimate as at the balance sheet date.

A provision of £121 million (2023: £244 million) has been retained in respect of OC. This represents management's latest and best estimate of the potential future payments associated with civil claims which may be received and assessed across the whole population of potential claimants, being the 111 known claimants whose convictions were overturned in the Appeals up to end of August 2024, and future potential claimants who were prosecuted but not convicted.

The provision requires a number of significant estimates and assumptions by management, principally relating to the potential settlement amounts, with the estimates taking into account settlements made to date, ongoing discussions with those whose claims are currently being assessed as part of the OC process and the Government's announcement on 18 September 2023 regarding an option of a £600,000 fixed sum offer. The reduction in the provision year on year is primarily driven by Government's announcement of the mass exoneration, with the Shareholder taking responsibility for the settlement of any convictions quashed as part of that process, along with some changes in assumptions underpinning the estimated payout. The provision is also impacted by payments made to those who have had convictions overturned, with interim and final payments, totalling £26 million (2023: £13 million) in the year, and the discounting of the forecasted future cashflows.

In December 2021, Government formally confirmed it would provide funding in respect of future payments arising as part of the OC process, up to a maximum of £780 million, which exceeds the total provision value plus settlements made to date. The funding will be recognised at the point the settlement amount becomes virtually certain, being when an offer is accepted.

Further details regarding Government funding and associated assumptions are available within the going concern section in note 1 to the financial statements. Additionally, details regarding the accounting estimates made by management in deriving the OC provision value are included in the critical accounting estimates section in note 1 to the financial statements.

Suspension Remuneration Review

Before March 2019, postmasters did not receive remuneration during the period of any contract suspension. Post Office has subsequently changed this policy, resulting in postmasters being remunerated during a period of suspension. In 2021/22, a decision was taken by the Directors to provide redress to those postmasters impacted. During the 2022/23 financial year the Suspension Remuneration Review ("SRR") was launched and redress to affected current and former postmasters began.

A provision of £28 million (2023: £64 million) has been retained at the balance sheet date, representing management's best estimate of potential future payments to be made to postmasters to provide redress for suspension of remuneration. The provision requires a number of significant estimates and assumptions by management, with the level of estimation uncertainty increased as a result of the period of time for which the previous policy was in operation.

The reduction in the provision year on year is due to a combination of settlements of £6 million (2023: £nil) being made during the year and changes in the assumptions underpinning the estimated payout, driven by the progress of the scheme and the trends emerging. This includes a reduction in both expected cases and average claim value. Further details regarding the provision estimate can be found in the other areas of judgement and accounting estimates section of note 1 to the financial statements.

Government funding to cover payments made in respect of SRR is in place until 31 March 2026, up to a maximum of £116 million. The funding will be recognised at the point the settlement amount becomes virtually certain, being when an offer is accepted.

Further details regarding Government funding and associated assumptions are available within the going concern section in note 1 to the financial statements. Additionally, details regarding the accounting estimates made by management in deriving the SRR provision value are included in the other areas of judgement and accounting estimates section in note 1 to the financial statements.

Post Office Process Review

As part of ongoing internal reviews into Post Office's operational policies and processes, it has been identified that some previous operational issues may have detrimentally impacted some postmasters financially. On 8 November 2023, the Group announced on its corporate website that it planned to establish a review to provide redress to postmasters affected (the Post Office Process Review, or "PPR"). On the same date the Government announced its intentions to support Post Office with funding to cover the cost of redress to postmasters affected.

The announcement of an intention to establish a review to provide redress to those postmasters affected is deemed the triggering event for a liability and therefore a provision of £18 million (2023: £nil) was recognised during the year. In the prior year, PPR was disclosed as a contingent liability, as no legal or constructive obligation existed at the balance sheet date. PPR encapsulates a range of processes which are being reviewed and for which redress is yet to fully commence; thus resulting in estimation uncertainty. Further details regarding the provision can be found in the other areas of judgement and accounting estimates section of note 1 to the financial statements.

Government funding to cover payments made in respect of PPR is in place until 31 March 2026, up to a maximum of £81 million. The funding will be recognised at the point the settlement amount becomes virtually certain, being when an offer is accepted.

Further details regarding Government funding and associated assumptions are available within the going concern section in note 1 to the financial statements. Additionally, details regarding the accounting judgements made by management in deriving the PPR provision are included in the other areas of judgement and accounting estimates section in note 1 to the financial statements.

Exceptional funding

Total exceptional funding of £193 million (2023: £13 million) has been recognised in relation to funding from Government to offset cash outflows associated with exceptional items. Funding totalling £76 million (2023: £nil) related to funding settlements as part of the HSS, OC and SRR. Funding of £117 million (2023: £nil) related to legal fees and running costs associated with Remediation Matters and the POHIT Inquiry.

Employment legislation (IR35)

HMRC are conducting a review of Post Office's off-payroll working arrangements. A provision totalling £72 million (2023: £nil) has been recognised in the financial year as, after considering views presented by HMRC during the year, including challenge regarding the classification of contractors previously deemed to be inside IR35 legislation, and the scale of contractors used by Post Office historically to primarily support change and exceptional activity, it is considered probable that a cash outflow will occur. Due to the stage of HMRC's review, detailed analysis, trends, patterns and views of HMRC are not available and as such broad assumptions as to the potential findings of the review, including HMRC's stance on Post Office's actions and decisions have been made in arriving at the provision. Further details regarding the accounting estimates made by management deriving this provision, including the level of estimation risk, are included in the critical accounting estimates section in note 1 to the financial statements.

Impairment

An impairment assessment was carried out in respect of cash generating units ("CGU") by comparing the carrying amount of each CGU to its recoverable amount. The recoverable amount is determined based on the higher of an asset or CGU's value in use and, where supportable, fair value less cost of disposal ("FVLCOD").

Analysis performed indicates the carrying value of the assets of the Post Office Limited CGU exceeds the recoverable amount based on current forecasts, when ignoring future capital expenditure and investment plans, which have been excluded from the value in use calculation in accordance with IAS 36. Consequently, a partial impairment of the Post Office Limited CGU has been recognised, incurring an impairment charge of £132 million (2023: £217 million) in the year. This includes £48 million (2023: £110 million) related to intangible assets and £84 million (2023: £107 million) related to property, plant and equipment.

The joint venture investment and freehold land and buildings, which are part of the Post Office Limited CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD.

The position of all CGUs will be revisited annually in line with accounting standards. If the outlook improves in future years leading to the recoverable amount being higher than the carrying value, previously recognised impairments will be reversed and the CGU carrying value will be increased to its recoverable amount.

In addition to the CGU assessment, the Group carries out impairment reviews of fixed assets throughout the year which identified the need to impair an intangible which was not going to be used going forwards. As a result, an impairment of £11 million was recognised due to the associated asset no longer having economic benefit (2023: £31 million). See note 9 to the financial statements for details.

The Group recognised reversals of previously recognised impairments totalling £21 million (2023: £nil) during the financial year, primarily driven by a £16 million adjustment arising from the reassessment of non-lease components within the Group's lease portfolio. See notes 9 and 10 to the financial statements for more details.

Investment and Capital Spend

Investment funding and costs included in the consolidated income statement are shown below:

	2024 £m	2023 £m
Investment funding	**130**	75
Investment spend		
Business transformation	**(13)**	(1)
Network programmes	**(4)**	(1)
IT transformation	**(42)**	(36)
Total investment spend	**(59)**	(38)
Net investment funding	**71**	37
Capital spend		
Property, plant and equipment	**(72)**	(14)
Intangible assets	**(61)**	(52)
Total capital spend	**(133)**	(66)
Net investment spend after capital spend	**(62)**	(29)

Investment Funding

Investment funding of £130 million (2023: £75 million) was received from the Department for Business and Trade ("DBT"). Of this, £90 million was received for transformation activities as part of the three-year funding agreement with Government from April 2022 to 31 March 2025. An additional £40 million has been recognised in the year in relation to funding to support the transformation of IT infrastructure, specifically the Horizon replacement programme, as part of a funding agreement with DBT.

Investment Spend

Total restructuring costs increased from £38 million to £59 million, with the majority of spend being in relation to ongoing programmes to transform IT infrastructure, including the Horizon replacement programme.

Capital Spend

In addition, £133 million (2023: £66 million) was incurred in capital spend, primarily on IT transformation projects, as disclosed in notes 9 and 10 to the financial statements.

Total Loss

The overall result for the year was a loss after tax of £414 million (2023: loss of £76 million). The main contributors to the loss include gross impairments recognised in the year totalling £143 million (2023: £255 million), recognition of a provision totalling £72 million (2023: £nil) for potential employment legislation (IR35) inaccuracies and the Remediation Matters and POHIT Inquiry related net expense of £744 million (2023: £135 million net credit), driven primarily by the increase of £745 million to the HSS provision. These expenses have been partially offset by the recognition of a deferred income tax credit of £197 million (2023: £nil).

Full results are set out on page 81 and further commentary on key aspects is outlined below.

Net Liabilities

The Group ended the year with net liabilities of £1,210 million (2023: £799 million). The movement was driven by the total comprehensive loss for the year, notably as a result of the increase to the HSS provision. The impact of being in a net liabilities position has been assessed and considered as part of the going concern review in note 1 to the financial statements.

Cash Flow

Cash and cash equivalents amounted to £617 million (2023: £550 million) at the year-end. There was a net cash inflow during the year of £67 million (2023: £183 million).

Operating activities resulted in a net cash outflow of £141 million (2023: £169 million inflow), primarily due to working capital movements, including a material increase in receivables stemming from client receivables impacted by the timing of the year-end. In the prior year, working capital was also positively impacted by one-off energy payout schemes that concluded in early 2023/24, with cash being disbursed, contributing to the significant outflow during the financial year. The Group incurred significant outflows associated with investment spend and exceptional costs during the year, which were partially offset by funding received from Government, resulting in an associated net outflow of £36 million (2023: £126 million). The Group recognised £96 million (2023: £1 million) of accrued Government funding for Remediation Matters, POHIT Inquiry and the Horizon replacement programme, which was subsequently received after the year-end.

Investing activities resulted in a net cash outflow of £80 million (2023: £63 million), driven largely by £134 million (2023: £68 million) invested in tangible and intangible assets. A significant amount of this spend related to the Horizon replacement programme. Proceeds from the sale of property, plant and equipment partially offset these outflows, generating £25 million (2023: £2 million) through three sale and leaseback transactions, which transferred control of these properties to the buyer-lessor and represents the proportion of rights transferred. Dividends received from the Group's joint venture investment totalled £29 million (2023: £3 million), reflecting a significant increase over the prior year as the entity continues its strong performance post-Covid pandemic.

Financing activities resulted in a net cash inflow of £288 million (2023: £77 million), primarily due to an additional net drawdown of £310 million (2023: £102 million) on the Working Capital Facility at the financial year-end. Additionally, proceeds of £9 million (2023: £nil) associated with the proportion of rights retained in respect of sale and leaseback transactions are recognised within financing activities.

Post Office seeks to minimise the amount drawn down on the Working Capital Facility from DBT ("the facility") in order to reduce its interest costs. The facility is limited to a maximum of £950 million (2023: £950 million); the unused facility at the end of the year was £209 million (2023: £519 million). The maximum drawn down under the facility during the year was £850 million in January 2024 and the maximum drawn down at a period end was £741 million in March 2024. The facility is available at one day's notice. In December 2024 Government agreed to renew both the £950 million Working Capital Facility and the £50 million Same Day Facility, extending both facilities to 31 March 2028.

A covenant, known as Security Headroom, exists within the facility. This covenant is in place to ensure there is sufficient collateral in the form of cash and other assets to cover the borrowings under the facility. The total value of the defined assets, being cash and near cash items, being trade and other receivables, should be equal to or greater than the total borrowings under the facility at each monthly reporting period end. At year-end, headroom on this covenant sat at £215 million (2023: £349 million), the decrease was driven by the cash received for energy payout schemes in the prior year which has now been paid out or returned. No breaches in headroom occurred in the year and no breaches are forecast under management's base case scenario in the going concern period, see note 1 to the financial statements.

The facility from the Government has restrictions regarding the purpose for which it can be used and, together with borrowing limits contained in the Articles of Association, the Group has constraints imposed on it regarding the availability of external borrowing.

The Bank of England Note Circulation Scheme

The continued participation in the Note Circulation Scheme ("NCS") assures that Post Office has an adequate supply of banknotes to meet customer demand across its network and provides a mechanism which enables Post Office to hold Bank of England owned notes. At the end of the year £240 million (2023: £202 million) of Bank-of-England owned notes were held. See note 22 to the financial statements for further details on the NCS.

Pensions

Post Office operates a defined contribution scheme – the Post Office Pension Plan. The income statement charge for the year in relation to the defined contribution scheme was £15 million (2023: £13 million). Net cash payments made in 2023/24 relating to regular pension contributions amounted to £16 million (2023: £13 million). Post Office also participated in one defined benefit plan during the year, being the Royal Mail Pension Plan ("RMPP"), which is independent of the Royal Mail section of the RMPP. The RMPP is closed to new members, closed to future accrual and is fully funded.

Further detail on Post Office's pension schemes can be found in note 18 to the financial statements.

Section 172(1) Statement

The disclosure of the S172(1) statement is included within the Governance section on pages 37 to 41.

Nick Read
Chief Executive Officer

17 December 2024

Governance

Corporate Governance

Post Office is wholly owned by the Department for Business and Trade ("DBT"). Ownership of the Post Office was transferred from the Department for Business, Energy and Industrial Strategy ("BEIS") to DBT on 3 May 2023, being the effective date under the Transfer of Functions (National Security and Investment Act 2021 etc.) Order 2023. DBT holds a special share in the Post Office, the rights of which are enshrined within the Post Office's Articles of Association.

DBT does not have responsibility for the day-to-day running of the Post Office but monitors performance and oversees key decisions, particularly the Post Office's compliance with the minimum network access criteria and the provision of specified services, through its representative, UK Government Investments ("UKGI" or the "Shareholder Representative"). As detailed below, Lorna Gratton, Director at UKGI, is the Shareholder Representative Non-Executive Director on the Post Office Board.

The Shareholder Relationship Framework Document effective from 1 April 2020, while not legally binding save as to confidentiality provisions, describes certain parameters within which the Post Office is expected to operate, certain obligations with which the Post Office is expected to comply (or have regard), and certain aspects of the relationship between DBT, UKGI and the Post Office, and how it is expected that these parties will interact with each other.

Corporate Governance Overview 2023/24

Post Office maintains standards of corporate governance appropriate to its ownership structure and is committed to continuous improvement. Guidance on observance of standards of good corporate governance is set out in the Shareholder Relationship Framework Document. While not a listed company, Post Office seeks to comply with the 2018 UK Corporate Governance Code ("UKCGC") and, where necessary, sets out where there is non-alignment between provisions of the UKCGC and Post Office's corporate governance. The Post Office also has regard to the principles of the Corporate Governance Code for Central Government Departments.

Post Office keeps corporate governance arrangements under review to ensure they remain in line with relevant legal and regulatory changes, as well as generally accepted principles of good corporate governance. Examples of where governance arrangements differ for Post Office from those set out in the UKCGC and the Corporate Governance Code for Central Government Departments are principally where alternative governance arrangements apply or because the Post Office is not listed, not a Central Government Department nor an Arm's

Length Body. An external governance review was commissioned in 2023/24, please refer to page 20.

Board membership during FY2023/24 and up to the date of signing, is set out on pages 20 to 23. The Shareholder Representative Non-Executive Director, Lorna Gratton, is a Director at UKGI and serves as a member of the Audit, Risk and Compliance Committee ("ARC") and the Remuneration Committee ("RemCo"). Elliot Jacobs, one of Post Office's Postmaster Non-Executive Directors, is a member of the ARC. While neither is an independent Non-Executive Director, the involvement of Lorna Gratton is seen as important in the provision of assurance to the Shareholder, and the involvement of Elliot Jacobs means that the ARC can draw directly on the operational experience and knowledge of a key stakeholder. The balance of committee members of the ARC and the RemCo are independent Non-Executive Directors (or, in the case of the Interim Chair, a member of RemCo, was independent on appointment), and the Post Office is therefore satisfied that it has good reason, in support of well-informed decision-making, not to comply in full with provisions 24 and 32 of the UKCGC, which stipulate that only independent Non-Executive Directors should be members of the ARC and the RemCo.

Under the UKCGC, at least half the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent. For certain periods within FY2023/24, the Board did not include sufficient independent Non-Executive Directors to meet this requirement. However the appointments of Amanda Burton and Andrew Darfoor as independent Non-Executive Directors brought the Board back in alignment with this aspect of the UKCGC – the Board also notes the periods of mis-alignment were partly mitigated by the absence of the Chief Finance Officer.

Post Office Directors are not subject to annual re-election, as provided for under the UKCGC; this reflects the Post Office's Articles of Association, where the appointment and re-appointment of Directors requires Shareholder approval.

Throughout the financial year, there was also an extended period where membership of the Nominations Committee ("NomCo") was not in alignment with the UKCGC. Rather than comprising a majority of independent Non-Executive Directors, the NomCo comprised an equal number of independent Non-Executive Directors and non-independent Non-Executive Directors until 27 January 2024 when Henry Staunton stepped down from the Committee. For a short period of time following this the majority of the NomCo members comprised non-independent Directors.

On 25 March 2024, Simon Jeffreys and Amanda Burton were formally appointed to the NomCo, at which point the NomCo comprised of a majority of independent non-executive directors and was back in alignment with the UKCGC. As in the case of the ARC and the RemCo, having Lorna Gratton as a member of the NomCo provides important assurance to the Shareholder, and having Saf Ismail as a member of the NomCo allowed the NomCo to access the perspectives of a Postmaster Non-Executive Director.

Lorna Gratton is a member of each of the Board's five sub-committees. As well as the provision of assurance to the Shareholder enabled by Lorna's membership, Lorna's position on all of the Board's sub-committees allows each of the committee Chairs the ongoing ability to engage with the Shareholder via Lorna as the Shareholder Representative Non-Executive Director, on significant matters relating to their areas of responsibility.

During the periods of non-alignment, the Board was satisfied that its decision-making, and that of its committees, was appropriately balanced and that the Board remained accountable to the Shareholder, with decisions and performance subject to scrutiny and challenge in the usual way.

External Governance Review

During 2023/24, Post Office commissioned an external governance review to assess the effectiveness of Post Office's enterprise and operational governance structures and processes. The review was undertaken by Grant Thornton LLP ('Grant Thornton') and was commissioned against the backdrop of a number of considerations including the POHIT Inquiry, the later phases of which were due to scrutinise Post Office's governance, the Simmons & Simmons review (a Government commissioned review into Inquiry-related bonus arrangements) and in response to issues raised in respect of governance in the annual employee engagement survey. The Simmons and Simmons report included a recommendation for the Post Office to review its wider remuneration governance.

Grant Thornton issued its final report in June 2024 setting out a number of strategic recommendations around:

- Producing a long-term vision and strategy for the Post Office.
- Resetting the relationship with the Shareholder regarding roles, responsibilities and authority, in order to provide greater clarity on accountability and improve the pace of decision-making.
- Exploring the optimal corporate governance structure to enable effective strategic execution.

The report also included a series of more tactical recommendations, including a number at the operational level. As noted under the section on the Board and Committee Effectiveness Review at pages 36 to 37, Grant Thornton was also commissioned to undertake the external Board and Committee effectiveness review, which fell due during FY2023/24, in line with the UKCGC expectations that an externally facilitated review is undertaken every three years. The recommendations from that review were presented to the Board at the same time as the recommendations from the governance report.

On the whole, the Board accepted the recommendations from both reviews at its meeting in July 2024, noting that a number were dependent upon the outputs from the Strategic Review. Progress has been tracked at each Board meeting since the report was issued and the Post Office anticipates being able to report that the recommendations have been substantially completed in its Annual Report and Accounts for FY2024/25. Board-level governance findings from the POHIT Inquiry will also be crucially important in informing further opportunities to improve and strengthen Post Office's governance.

Board of Directors

The Chair of the Board and the Shareholder Representative Non-Executive Director are appointed by the Shareholder. Executive and Independent Non-Executive Directors are appointed by the Board subject to the prior written consent of the Shareholder. The Postmaster Non-Executive Directors are appointed by the Board subject to the prior written consent of the Shareholder and following an election process open only to postmasters.

Non-Executive Directors are usually appointed for an initial term of three or four years with scope to renew for a second term or subsequent period, subject to the approval of DBT. The appointment period of the Shareholder

Representative Non-Executive Director is determined by the Shareholder. Set against the context of Post Office's ownership structure as a wholly owned company, Directors are not subject to annual re-election, although as noted under the section on 'Other routine Board performance activities', they are subject to an annual appraisal process under which their continued effectiveness is assessed.

During FY2023/24, the Board of Directors comprised:

- a Non-Executive Chair (Henry Staunton left the Board on 27 January 2024 and the interim arrangements that followed this are set out in the Corporate Governance Overview on pages 18 to 19);
- the Group Chief Executive Officer;
- the Group Chief Finance Officer (the postholder was absent during 2023/24, so the role was undertaken on an interim basis, but not in an Executive Director capacity);
- the Shareholder Representative Non-Executive Director;
- five independent Non-Executive Directors (one of whom is designated the Senior Independent Director); and
- two Postmaster Non-Executive Directors.

Non-Executive Directors are not employees of the Post Office; they provide services under the terms of an individual letter of appointment, signed ahead of the commencement of their directorship.

The current Board membership at the point of signing is as below.

Nigel Railton
Interim Chair of the Board, Chair of the Nominations Committee, member of the Remuneration Committee and member of the Remediation Committee.
Joined the Board 24 May 2024

Amanda Burton
Independent Non-Executive Director and Chair of the Remuneration Committee* and member of the Nominations Committee.
Joined the Board 27 April 2023

Lorna Gratton
Shareholder Representative Non-Executive Director, member of the Audit, Risk and Compliance Committee, member of the Remuneration Committee, member of the Nominations Committee, member of the Remediation Committee and member of the Investment Committee.
Joined the Board 12 May 2023

Brian Smith
Postmaster Non-Executive Director
Joined the Board 4 December 2024

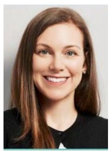
Elliot Jacobs
Postmaster Non-Executive Director, member of the Audit, Risk and Compliance Committee and member of the Investment Committee.
Joined the Board 3 June 2021

Brian Gaunt
Independent Non-Executive Director, Interim Chair of the Remediation Committee and member of the Remuneration Committee.
Joined the Board 25 January 2022

Simon Jeffreys
Independent Non-Executive Director, Chair of the Audit, Risk and Compliance Committee and member of the Nominations Committee.
Joined the Board 23 March 2023

Andrew Darfoor
Independent Non-Executive Director, Senior Independent Director, Chair of the Investment Committee and member of the Audit, Risk and Compliance Committee.
Joined the Board 20 June 2023

Nick Read
Group Chief Executive Officer
Joined the Board 16 September 2019. It is anticipated that Nick Read will step down from the Board during January 2025, ahead of leaving Post Office towards the end of FY2024/25.



Rachel Scarrabelotti
Group Company Secretary
Appointed as Company Secretary 12 April 2022

* Amanda Burton has held a number of previous Remuneration Committee Chair roles and, as such, the requirement under the UKCGC for the Chair of the Remuneration Committee to have served on a Remuneration Committee for at least 12 months prior to their appointment as Chair is satisfied.

Board departures during the year ended 31 March 2024, and up until the date of signing, are shown below:

Henry Staunton
Former Chair of the Board
Joined the Board 1 December 2022
Left the Board 27 January 2024

Ben Tidswell
Former Independent Non-Executive Director and Senior Independent Director
Joined the Board 27 July 2021
Left the Board on term expiry 9 July 2024

Alisdair Cameron
Group Chief Finance Officer
Joined the Board 28 January 2015
Retired from the Board 24 June 2024

Tom Cooper
Former Shareholder Non-Executive Director
Joined the Board 27 March 2018
Left the Board 11 May 2023

Lisa Harrington
Former Independent Non-Executive Director
Joined the Board 8 April 2020
Left the Board 1 June 2023

Saf Ismail
Postmaster Non-Executive Director and member of the Nominations Committee.
Joined the Board 3 June 2021
Left the Board 3 December 2024

Independence

Simon Jeffreys, Amanda Burton, Andrew Darfoor and Brian Gaunt are independent Non-Executive Directors; Nigel Railton was deemed independent on appointment. Lorna Gratton is not an independent Non-Executive Director as she is the Shareholder Representative Non-Executive Director. Our Postmaster Non-Executive Directors, as serving postmasters, are also not independent Non-Executive Directors (Saf Ismail left the Board in December 2024 and Brian Smith joined the Board in December 2024). Nick Read holds an executive role and, as such, is not an independent Director.

Lisa Harrington left the Board in June 2023 and Ben Tidswell left the Board in July 2024; during their tenure they were both considered to be independent Non-Executive Directors.

Tom Cooper left the Board in May 2023 and Alisdair Cameron left the Board in June 2024; during their tenure they were both considered to be non-independent, the former as they were the Shareholder Representative Non-Executive Director and the latter as they were an Executive Director.

In relation to the former Chair, Henry Staunton, who stepped down from the Board on 27 January 2024, the

Board considered his independence on appointment in the light of his then role as Chair of WHSmith plc, one of the key strategic partners of the Post Office. Mr Staunton stepped down from the WHSmith plc Chair role prior to appointment, so there was no overlap in roles, and the Board took this and a number of other matters into account and concluded that he was independent upon appointment.

Conflicts of Interest

In accordance with the Companies Act 2006, the Articles of Association give the Directors power to authorise conflicts of interest.

The former Chair, Henry Staunton, who stepped down from the Board on 27 January 2024, had previously declared his wife's ordinary shares in WHSmith plc and the Board had authorised the conflict subject to a number of conditions. The former Chair complied with the conditions during his tenure.

The Postmaster Non-Executive Directors periodically stated their ongoing conflict of interest in being practising postmasters. No other Directors had a material interest in any contract of significance with the Post Office or any of its subsidiaries.

The Shareholder Relationship Framework Document also provides that where there is potential for a perceived conflict of interest between Board membership and the Shareholder function, the Shareholder Representative Non-Executive Director should recuse themselves from the relevant Board decision and that the appointment letter for the Shareholder Non-Executive Director should contain provisions specifically on the approach to conflicts of interest (including perceived conflicts of interest).

A Register of Interests is maintained for all Directors, and summary biographies are listed on Post Office's Corporate website (https://corporate.postoffice.co.uk/en/governance/our-structure/our-board/) for each Board member. If a Director wishes to take up a further external appointment, they must first receive approval from the Chair, who will consider any potential conflict of interest or any impact on the Board member's time commitment.

The Post Office has arranged appropriate Directors' and Officers' liability insurance in respect of legal action against Directors of the Post Office and its subsidiaries and a deed of indemnity is in place for each of the Directors.

Role and responsibilities

The Board is responsible for setting the business's strategic aims, putting in place leadership to deliver the Post Office's strategy, maintaining appropriate oversight of the management of the business, reporting to the Shareholder and determining the Post Office's vision, values and organisational culture.

The Board is accountable to DBT, the sole shareholder, for the performance of the Post Office, and is required to seek consent from DBT for certain matters, as set out in the Articles of Association. The Shareholder is briefed regularly on the performance of the business and the progress made towards delivering the Shareholder's objectives, including at quarterly accountability meetings. The Shareholder Relationship Framework Document sets out the responsibilities of each party.

The Board is also responsible for oversight of legal and regulatory compliance, delivery of the strategy, providing constructive challenge to Post Office's executive management, the Strategic Executive Group ("SEG") and communicating with all stakeholders. The Board has a schedule of matters reserved for its decision and has approved Terms of Reference for its committees, which are available on the Post Office's website.

The Board reviews the strategy and approves the annual budget required to deliver the strategic objectives annually. The Board regularly reviews reports on performance against the annual budget and receives business reports from senior management. Directors are briefed on matters to be discussed at Board and Committee meetings by papers distributed in advance of meetings, as well as management presentations.

The executive management considers all papers ahead of submission to the Board at its monthly SEG meetings, or in other relevant fora with the appropriate delegated authority. This ensures that Board materials are carefully reviewed and are only authorised for onward submission to the Board if executive management is satisfied with the content. On appointment as Interim Chair, Nigel Railton oversaw a review of Board and Committee paper templates and revised guidance was issued to ensure that Directors received timely, clear and pertinent information. There is also a dedicated slot on each Board agenda for Directors to provide comments on papers.

The Board is also responsible for considering certain matters raised under the 'Speak Up' policy and for maintaining oversight on the volume and type of Speak Up matters reported. The Speak Up policy provides for concerns to be raised on an anonymous basis and provides a number of reporting routes – including by phone or secure online portal both operated via an independent provider. The 'Speak Up' policy also recognises that on occasion external reporting to a regulator may be appropriate. The Non-Executive Director ("NED") Speak Up Champion ensures that a positive speak up culture is proactively encouraged throughout the Post Office and that the arrangements are challenged and assessed for areas of continuous improvement and best practice. The NED Speak Up Champion is also an additional point of escalation for feedback or concerns raised about the Speak Up function.

In setting the risk appetite for the Post Office, the Board has established a framework to manage and mitigate risk. The Board takes guidance from its ARC in its oversight of risk management. The ARC receives reports from the Compliance Director, the Director of Internal Audit, the Group Director of Assurance and Risk and the General Counsel, as well as from operational management and the External Auditors. Further detailed information on the management of risk within the Post Office, together with identification of enterprise risks and their impacts, can be found in the Management of Risk section on pages 56 to 61.

Under the Articles of Association, and in line with the provisions of the UKCGC the Company Secretary's appointment and removal is a matter for the Board. All Directors have an open channel of communication with the Company Secretary, who is responsible for advising the Board on corporate governance matters.

Key focus of the Board in 2023/24

As noted elsewhere in this report, on his appointment, the new Interim Chair, Nigel Railton, commissioned a Strategic Review to inform the strategic direction, central objectives and key priorities as the Post Office looks to continue to change and transform and meet the needs of postmasters, customers, the Shareholder and wider stakeholders.

In his foreword on pages 3 and 4, the Interim Chair has set out his vision for a transformed Post Office, where full and fair financial redress has been paid to the victims of the Horizon IT scandal, as well as under the other remediation schemes, and where Post Office delivers a sustainable future for postmasters and the communities which rely on them. We will report more fully on these plans and our progress in next year's Annual Report and Accounts.

In the meantime, the Board's focus during 2023/24 was centred on the following three key priorities:

- Rebuilding Trust;
- Improving Branch Profitability; and
- Transforming Technology.

These priorities are consistent with the future strategic ambition for the Post Office, with the Board remaining committed to addressing past failures as well as delivering positive outcomes by setting the Post Office and postmasters up for future success.

Rebuilding Trust

Learning from, and responding to, the matters under consideration at the POHIT Inquiry, along with the delivery of fair redress and remediation to postmasters remained an unwavering priority throughout the year. In January 2024, the ITV drama, *Mr Bates vs The Post Office*, brought renewed focus on the distressing stories of postmasters and the ongoing POHIT Inquiry. The impetus that this created was welcome, as was the collective determination to see justice done.

Toward the end of the year, efforts also turned to supporting Government as it prepared to take forward the legislation to exonerate postmaster convictions and pay redress under the Horizon Redress Compensation Scheme. See also the report of the Remediation Committee at pages 34 to 35.

More widely, the Board continued to oversee the delivery of the necessary operational and cultural changes required, informed in part by the emerging findings from the evidence given to the POHIT Inquiry. Board members, along with members of the SEG, the Leadership Team and the wider business, regularly attended hearings of the POHIT Inquiry to hear witness testimony firsthand and as a demonstration of Post Office's engagement and determination to ensure lessons are learned. Updates and briefings on the POHIT Inquiry and on redress and remediation have been fixed items on the agenda of the Board and SEG during the course of the year and Post Office colleagues have been kept updated through wider business communications and training.

Improving Branch Profitability

During 2023/24, POL continued to build on its mail and banking strategies, with the former focused on extending the rollout of additional carriers and the latter seeing more Post Office operated Banking Hubs open during the year.

'Branch MOT' visits continued throughout the year, during which Post Office's retail field teams helped support postmasters run successful Post Offices, through both improved in-branch operational efficiencies, as well as by providing more targeted support, for example in relation to Travel Money business in the lead up to the summer peak. The Board also agreed the 'Operational Excellence' initiative which was designed to promote excellence in operational processes around postmaster cash declarations and completing trading periods.

Looking ahead, the Board agreed that in navigating the immediate challenges, it was imperative that the Post Office kept an eye fixed on the future to ensure Post Offices were sustainable and able to run as profitable businesses, with postmasters remunerated appropriately. The Board's away day in July 2023 included discussion on wider regulatory and retail trends, and set against this context, looked at Post Office's mails, cash, banking and other product offerings under its existing commercial strategy and explored what further opportunities there might be in future years.

Transforming Technology

Post Office's Strategic Platform Modernisation Programme ("SPMP") covering the development of new branch technology to replace Horizon and maintaining Horizon while the new technology was being developed (including continuing investment in core software, infrastructure and branch hardware) remained a core focus. In September 2023, the Board established an Investment Committee (see page 35 on its work during the year) to provide further oversight and scrutiny, given the significance of the programme.

Since the year-end, it is important to note that the Board agreed that the prevailing context supported the imperative for Post Office to re-assess the SPMP and the Horizon replacement solution. A more holistic approach to delivering and integrating new branch technology and better prioritisation of key activities under the programme is aligned to the outcomes of the Strategic Review. The Board was clear, however, that remediation activities to address the Horizon Issues Judgment should continue to be a priority and that the end goal remains unchanged – to deliver fit for purpose, reliable and efficient in-branch technology and systems.

An overview of how the Board has taken into account stakeholder interests in its discussions and decision-making is set out in the S172(1) statement at pages 37 to 41.

Board and Committee Meetings in 2023/24

Board Meetings

During 2023/24 the Board met 13 times (including additional meetings held either in person or virtually). A record of Directors' attendance at the Board and its Committees is set out in the table below, shown as a share of the number of meetings they attended in 2023/24, during the time they were in post.

Director	Board	Board (Additional)	Audit, Risk & Compliance Committee	Nominations Committee	Remuneration Committee	Remediation Committee (Note 1)	Investment Committee
Chair							
Henry Staunton (Notes 2 and 11)	7/7	3/3	-	4/4	6/7	-	-
Executive Directors							
Nick Read	9/9	4/4	-	-	-	-	-
Alisdair Cameron (Note 3)	0/9	0/4	-	-	-	-	-
Non-Executive Directors							
Tom Cooper (Shareholder Representative) (Note 4)	0/0	0/0	-	-	2/2	3/3	-
Lorna Gratton (Shareholder Representative) (Note 5)	9/9	4/4	8/9	7/7	7/7	11/12	4/4
Lisa Harrington (Note 6)	0/0	1/1	-	-	2/2	-	-
Saf Ismail	9/9	4/4	-	7/7	-	-	-
Elliot Jacobs	9/9	4/4	8/9	-	-	-	4/4
Ben Tidswell (Senior Independent Director) (Note 7)	9/9	4/4	-	7/7	8/9	15/15	-
Brian Gaunt	9/9	3/4	-	-	9/9	14/15	-
Simon Jeffreys (Note 8)	9/9	4/4	9/9	-	-	-	-
Amanda Burton (Note 9)	9/9	4/4	-	-	9/9	-	-
Andrew Darfoor (Note 10)	8/8	3/3	8/8	-	-	-	4/4

Note 1: The Remediation Committee was previously named the Historical Remediation Committee.

Note 2: Henry Staunton left the Board on 27 January 2024.

Note 3: Alisdair Cameron was absent during FY2023/24; the role was undertaken on an interim basis but not in the capacity of an Executive Director.

Note 4: Tom Cooper stepped down from the Board on 11 May 2023.

Note 5: Lorna Gratton joined the Board on 12 May 2023 and is a member of all the Board sub-committees.

Note 6: Lisa Harrington stepped down from the Board on 1 June 2023.

Note 7: Ben Tidswell was Chair of the Remediation Committee and appointed as a member of the Nominations Committee effective from 2 June 2023. He was nominated as Chair for Board and Nominations Committee meetings held between 27 January 2024 to 23 May 2024.

Note 8: Simon Jeffreys was appointed as a member of the Nominations Committee effective from 25 March 2024.

Note 9: Amanda Burton joined the Board on 27 April 2023. She was appointed as a member of the Remuneration Committee effective from 27 April 2023 and as the Chair of the Remuneration Committee effective from 26 May 2023. Amanda was appointed as a member of the Nominations Committee effective from 25 March 2024.

Note 10: Andrew Darfoor joined the Board on 20 June 2023. He was appointed as Chair of the Investment Committee effective from 26 September 2023.

Note 11: Nigel Railton joined the Board as Interim Chair on 24 May 2024.

Board Committees

To assist in the execution of its corporate governance responsibilities, the Board has established five committees which deal with specific topics requiring independent oversight. The Audit, Risk and Compliance ("ARC"); Nominations ("NomCo"); Remuneration ("RemCo"); Remediation; and Investment Committees are each chaired by an independent Non-Executive Director. The Investment Committee was established on 26 September 2023, so a report on the work of this Committee is included for the first time in the 2023/24 Annual Report and Accounts.

The Board retains overall oversight but delegates responsibilities and authorities to its committees to operate within Terms of Reference for each committee approved by the Board. The Terms of Reference for all committees are reviewed annually to assess that each committee has discharged its duties effectively in accordance with the Terms of Reference.

The Terms of Reference for the committees, established in line with the requirements of the UKCGC, are available on the Post Office's website.

During 2024/25, in response to a recommendation in the external governance review, the interim Chair agreed that members of the Board should have access to the materials of all committees and have an open invitation to attend all committees as observers, subject to their availability.

Nominations Committee (NomCo)

Role

The duties and responsibilities of the NomCo are included in the Terms of Reference, which are available on the Post Office's website.

Membership during 2023/24*

Ben Tidswell From 2 June 2023 Nominated to Chair NomCo meetings in January, February and \March 2024, after Henry Staunton left the Board.
Lorna Gratton From 12 May 2023

Saf Ismail
Henry Staunton, former Chair Until 27 January 2024, when Henry Staunton left the Board.
Lisa Harrington, former interim Chair and member Until 1 June 2023, when Lisa Harrington left the Board.
Tom Cooper, former member Until 11 May 2023, when Tom Cooper left the Board.

*Members who joined NomCo in 2024/25 were: Amanda Burton, Simon Jeffrey and Nigel Railton.

The Group CEO and Group Chief People Officer also attended certain NomCo meetings at the invitation of the NomCo Chair.

The work of NomCo in 2023/24

During 2023/24, NomCo invested considerable time in considering Board succession and associated recruitment and appointment matters with Lisa Harrington and Tom Cooper stepping down from the Board in the first quarter of the year and Henry Staunton stepping down as Chair of the Board in the final quarter. Amanda Burton, Lorna Gratton and Andrew Darfoor were all appointed to the Board in 2023/24.

NomCo also considered and made recommendations to the Board in respect of appointments to the Board sub-committees, to reflect the Board membership changes and to ensure the requisite knowledge and skills were maintained through appropriate membership.

Succession planning requirements for the Post Office's subsidiaries and joint venture were considered during the 2023/24 period with the NomCo approving appointments to the Post Office Management Services Board and Payzone Board as well as to the FRESH board.

Succession planning and organisational design requirements for the Post Office's General Executive (subsequently to become the SEG) were also considered by NomCo in 2023/24, with the focus on critical roles, improving diversity, and having the necessary capabilities to deliver the Post Office's strategic and operational objectives.

Green Park and Gatenby Sanderson were engaged by POL as external search consultants during the year; NomCo was satisfied that both providers had a demonstrable track record in the field and were not otherwise connected with the Post Office nor with any individual director. The Shareholder engaged Korn Ferry to provide support in relation to the search for the Interim Chair.

NomCo reviewed and approved revisions to its Terms of Reference and noted additional external appointments as declared by Board members over the 2023/24 period.

The recommendations from the 2022/23 NomCo effectiveness review were discussed and approved in June 2023. NomCo approved the process for the externally facilitated Board and Committee evaluations for 2023/24; the review was concluded in June 2024 and presented to the Board in July 2024, alongside the findings of the governance review (see page 36), as both were conducted by Grant Thornton. The outcome of the 2023/24 Board and Committee Effectiveness Review can be found on pages 36 and 37. Progress against the relevant recommendations for NomCo is being tracked at each meeting.

Remuneration Committee (RemCo)

Role

The duties and responsibilities of the RemCo are included in the Terms of Reference which are available on Post Office's website.

Membership during 2023/24*

Amanda Burton, Chair Member from 27 April 2023 and Chair from 26 May 2023.
Ben Tidswell
Lorna Gratton From 12 May 2023
Brian Gaunt
Henry Staunton, former member Until 27 January 2024, when Henry Staunton left the Board.
Lisa Harrington, former Chair and member Until 25 May 2023, then member until 1 June 2023, when Lisa Harrington stepped down from the Board.
Tom Cooper, former member Until 11 May 2023, when Tom Cooper, stepped down from the Board.

*Members who joined RemCo in 2024/25 were: Nigel Railton

In accordance with the Terms of Reference, the CEO may attend meetings, at the invitation of the RemCo Chair, to discuss matters relating to the remuneration of the Group Chief Finance Officer ("CFO") and other members of the SEG. However, RemCo recognises the need to manage any potential conflicts of interest and upholds the principle that no individual may be involved in discussions concerning their own remuneration. The Group Chief People Officer also attends RemCo meetings at the invitation of the Chair.

The work of RemCo in 2023/24

The Directors' Remuneration Report for 2023/24 is set out at pages 44 to 53 and includes more detail on the key decisions taken by RemCo during the year and the key areas of focus.

During 2023/24, the Board agreed to commission a review to be undertaken by the Chair of the RemCo into the decisions taken in relation to the Inquiry metric in the Transformation Incentive Scheme. This review concluded during the year as did the review commissioned by the Government carried out by Simmons and Simmons into the same matters. Subsequently, the RemCo agreed to remove Inquiry-related metrics from reward schemes going forward.

In more routine business, the RemCo agreed:

- The design and metrics for the 2023/24 Short Term Incentive Plan (STIP) and the 2023-26 Long-Term Incentive Plan (LTIP), as well as agreed updated rules for both schemes.

- The outturn for the 2022/23 STIP (payments were made in December 2023, after final sign-off of the 2022/23 Annual Report and Accounts)
- The Directors' Remuneration Report for inclusion in the 2022/23 Annual Report and Accounts.
- A number of updates to its Terms of Reference to ensure the continued effectiveness of the Committee.
- The remuneration packages for several members of the SEG and other senior management.
- Fees for Board Committee Chairs.
- Non-executive Director Remuneration in relation to Group Companies.

Looking further ahead, RemCo considered the Post Office's future reward strategy, agreeing that it should reflect Post Office's social purpose and corporate structure, where Post Office was more aligned to public sector organisations, stand up to scrutiny against the position for postmasters and reflect the central importance of effective and demonstrable leadership and cultural improvements and change.

Willis Towers Watson was RemCo's remuneration adviser and pension actuary during the year. Willis Towers Watson is not otherwise connected with the Post Office nor with any individual directors.

The RemCo recommendations from the 2022/23 effectiveness review were discussed and approved in July 2023. An externally facilitated effectiveness review for 2023/24 was concluded in June 2024, the outcome of which can be found on pages 36 and 37. Progress against the recommendations from the effectiveness review for RemCo is being tracked at each meeting.

Audit, Risk and Compliance Committee (ARC)

Role

The duties and responsibilities of the ARC are included in the Terms of Reference which are available on the Post Office website.

Membership during 2023/24*

Simon Jeffreys, Chair
Elliot Jacobs
Lorna Gratton From 12 May 2023
Andrew Darfoor From 20 June 2023
Tom Cooper, former member Until 11 May 2023, when Tom Cooper stepped down from the Board.

The work of the ARC in 2023/24

In the lead-up to signing the 2022/23 ARA, ARC maintained oversight over critical accounting estimates and judgements, as well as considering the principal and strategic risks, going concern assumptions, taxation matters and provisions for the HSS, OC, SRR and PPR, and having done so, concluded that they were appropriate.

ARC approved the annual Audit Plan 2023/24 for the Internal and External Auditors, as well as providing approval as appropriate in relation to the fees for the non-audit activity to be undertaken by the External Auditors. In the case of non-audit activity, ARC was assured that the proposed activity was permissible under the Ethical Standards applicable to Other Entities of Public Interest and that there were suitable safeguards in place to ensure the independence of the External Auditor, including the separation of teams performing the work.

Reports were provided at each of its scheduled meetings on compliance, risk, and internal audit. Three separate reports were received on legal risks and two reports on Speak Up. ARC received an update from the Chair of Post Office Insurance ARC at each scheduled meeting. ARC approved the Internal Audit Charter.

Deep dives during the year were conducted in relation to Technology Risks, Mails, Banking and Strategic Partners. ARC received updates on Cyber Security and Business Continuity, alongside two updates on Remediation Matters risks, a report from the Data Protection Officer and an annual report from the Money Laundering Reporting Officer.

The reports on deep dives, risk reviews, internal audits and controls reviews were discussed with management when they were received by ARC. These reports and updates identified opportunities to enhance controls which, in some cases, were necessary to bring net risk exposure to within risk tolerance. At each meeting ARC and management reviewed the progress being made in relation to the completion of agreed actions.

The following policies were reviewed and approved by ARC during the course of the year: Anti-Bribery and Corruption; Financial Crime; Speak Up; Anti-Money Laundering and Counter Terrorism Funding; Business Continuity Management; Procurement; HMRC Fit and Proper; Business Change; Protecting Personal Data; Postmaster Onboarding; Postmaster Training; Postmaster Contract Performance, Postmaster Contract Suspension; Postmaster Contract Termination; Postmaster Contract Termination Decision Review; Health & Safety; Treasury; Group Risk Management Policy; Group Customer Complaints Policy and the Group Legal Policy.

The Modern Slavery Act Transparency Statement was also approved (as required on an annual basis) for recommendation to the Board, as was the renewal of the Insurance Policies for the period 1 November 2023 to 31 October 2024.

The ARC reviewed and approved revisions to its Terms of Reference during the year. The ARC recommendations from the 2022/23 effectiveness review were discussed and approved in May 2023. An externally facilitated effectiveness review for 2023/24 was concluded in June 2024, the outcome of which can be found on pages 36 and 37. Progress against the recommendations from the effectiveness review for ARC is being tracked at each meeting.

The Board considers that the ARC's members have broad commercial knowledge and extensive business leadership experience. The current Chair of the ARC, Simon Jeffreys, is a qualified Chartered Accountant. The Board is satisfied, therefore, that there is an appropriate mix of business and financial experience and expertise across the membership.

The CEO, Interim CFO, General Counsel, Group Compliance Director, Group Assurance Director and Director of Internal Audit and Head of Risk, or nominated deputy or interim, attend meetings of the ARC. The ARC Chair held regular meetings with each of these individuals during the year. The External Auditor was invited to, and attended, all meetings of the ARC.

ARC members held separate meetings with the Director of Internal Audit and with the External Auditors without management present during the year. The internal audit function is co-sourced with Deloitte LLP and Mazars LLP. The current External Auditor, PricewaterhouseCoopers LLP ("PwC"), has been in place since 2019 following a tender. ARC has satisfied itself in relation to the independence and effectiveness of the External Auditor, including in relation to pre-approved non-audit activities. PwC has been re-appointed as auditor for 2024/25, following a competitive tender.

Further detailed information on the management of risk within Post Office can be found in the Management of Risk section on pages 56 to 61.

Remediation Committee

Role

The duties and responsibilities of the Remediation Committee are included in the Remediation Committee's Terms of Reference, which are available on the Post Office's website.

Membership during 2023/24*

Ben Tidswell, Chair
Lorna Gratton From 14 June 2023.
Brian Gaunt
Tom Cooper, former member Until 11 May 2023, when Tom Cooper, stepped down from the Board.

*Members who joined the Remediation Committee in 2024/25 were: Nigel Railton and Brian Gaunt, who was appointed interim Chair. .

The Group General Counsel, the Group Chief Finance Officer and external counsel to the Post Office may also attend meetings at the invitation of the Committee Chair.

Work of the Remediation Committee in 2023/24

During 2023/24, the Remediation Committee continued to oversee the administration of the remediation schemes administered by Post Office.

In its oversight of the administration of the Horizon Shortfall Scheme ("HSS"), the Remediation Committee had to consider:

- the principles underpinning how HSS claims were assessed for the consideration of the HSS Independent Advisory Panel ("IAP");
- claim outcomes recommended by the IAP (including those recommending offers of financial redress);
- recommendations to the Board on precedent setting matters; and
- any other matters escalated to the Remediation Committee for decision.

The Government announced on 13 March 2024 that it was extending the £75,000 Fixed Sum Offer – originally for GLO claimants to all eligible claimants in the HSS. Post Office subsequently launched the Fixed Sum Offers and is contacting all postmasters who have not yet applied to the Horizon Shortfall Scheme.

The Remediation Committee endeavoured to ensure at all times that offers received by postmasters were fair and consistent and issued as swiftly as possible. The HSS remains open, and applications continue to be received into the Scheme.

The Remediation Committee also continued to oversee the management of claims for redress made by those who had their convictions overturned, considering policies and principles underpinning claim assessments, and approving for recommendation to the Board decisions that were precedent setting.

The Remediation Committee also considered matters relating to criminal appeals. During the course of the year, Government announced proposals in relation to the blanket exoneration of convicted postmasters. The convictions of hundreds of postmasters were quashed on 24 May 2024 when the Post Office (Horizon System) Offences Act passed into law. On 13 June 2024, convictions in Scotland were also quashed by legislation. On 30 July 2024, the Government announced that its new Horizon Convictions Redress Scheme ("HCRS") for people whose convictions were quashed by legislation, was open.

During the year, the Remediation Committee continued to oversee the Suspension Remuneration Review providing redress to postmasters who did not receive remuneration during a period of suspension.

The Remediation Committee also oversaw proposals for the implementation of a financial redress scheme for postmasters deemed to have suffered detriment (the Post Office Process Review – PPR scheme), following a review of Post Office operational policies and processes in view of the Common Issues judgement ("CIJ").

In all matters considered, the Remediation Committee took an approach that was transparent and promoted fair outcomes for appellants and claimants overall.

The Remediation Committee reviewed and approved revisions to its Terms of Reference during the year and more broadly, continued to consider recommendations made by, and matters, and feedback arising out of, the POHIT Inquiry, where relevant.

Investment Committee

Role

The Investment Committee was established in September 2023. The duties and responsibilities of the Investment Committee are included in the Committee's Terms of Reference, which are available on the Post Office's website.

Membership during 2023/24

Andrew Darfoor, Chair
Lorna Gratton
Elliot Jacobs

Work of the Investment Committee in 2023/24

During the year, the Investment Committee considered the findings from an independent diagnostic review of Post Office's SPMP and thereafter received periodic updates on progress against the recommendations and the SPMP more broadly.

Key strategic matters on which the Investment Committee was kept apprised and its views sought, included:

- Progress in relation to SPMP and the pilot roll-out.
- The business case for future Government funding for the SPMP.
- The self-funded change spend options within the Post Office's 2024/25 annual budget.

The Committee also received periodic updates on key strategic change projects through a Change Activity Dashboard and undertook deep-dive reviews on change projects of particular note, whether due to delay, cost or complexity, for example.

The Committee did not undertake a review of its Terms of Reference during 2023/24, due to its recent establishment.

Board and Committee Effectiveness Review

In line with good corporate governance practice, the Post Office undertakes an annual review of the effectiveness of its Board and Committees. An externally facilitated effectiveness review typically takes place every third year. The reviews provide assurance on effectiveness, but more importantly, they inform a continual process of self-improvement and highlight areas for further development and enhancement.

As noted on page 20 of the Corporate Governance Statement, the Post Office commissioned Grant Thornton to undertake an external governance review during the year. Given the knowledge Grant Thornton had acquired during the governance review, Grant Thornton was also appointed to undertake the externally facilitated Board and Committee Effectiveness Review, given the obvious synergy between the two reviews. Grant Thornton had no connection with any of the individual directors, but did provide other advisory services to Post Office (such services were provided in compliance with applicable procurement processes).

The scope of the effectiveness review was to provide an independent analysis of the Board's effectiveness against the requirements of the UKCGC and the scope of the review extended to the Board, the NomCo, the RemCo, and the ARC.

The findings from both the governance review and the Board and Committee effectiveness review for FY2023/24 were presented to the Board in July 2024.

Review findings and next steps

The overall findings were consistent with those from the broader governance review, with the effectiveness of the Board and its sub-committees being considered to be limited at the time. The top priorities to address included the need for:

- A unifying longer-term vision and strategy for the Post Office.
- Improved cohesion between the Board and the SEG.
- Improved succession planning.
- Clarity of roles, responsibilities and accountabilities within the Post Office, but also between the Post Office and its Government Shareholder.
- Board ownership of culture change.
- Clearer and more focused management information.

The review recognised the prevailing context in which the Post Office was operating, noting it had been in crisis mode for some considerable time and that this had far-reaching consequences, including an inability to maintain a forward-looking perspective and strategic focus amid the current challenges.

Despite the challenges, the review noted that there were a number of positive aspects to the Board and its operations that should be highlighted, including the diversity of debate, the engagement of Board members and the tactical work being undertaken within the ARC and the RemCo, alongside a general willingness to enhance governance and decision-making.

The Board discussed the findings and broadly agreed the recommendations on areas for improvement and enhancement, noting though that, as was the case with the governance review findings, some matters were dependent on the outputs of the Strategic Review and so could only be addressed when that review was completed.

The Board agreed the recommendations from both reviews should be included in an action tracker and progress tracked at each Board meeting, with each Committee taking forward the particular actions on improving their effectiveness.

Other routine Board performance activities

More generally, the Chair (or interim), supported by the SID where necessary, undertakes a number of other routine activities and initiatives that help the Board to operate and perform, including:

- holding periodic meetings with Non-Executive Directors, without Executive Directors in attendance
- undertaking annual appraisals for the Group Chief Executive (or anyone undertaking the role on an interim basis) and all Non-Executive Directors; and
- encouraging contributions from all members of the Board – Independent Non-Executive Directors, Postmaster Non-Executive Directors, the Shareholder Non-Executive Director and Executive Directors.

There was no annual appraisal of the former Chair, Henry Staunton, in FY2023/24 set against the background of his departure in January 2024.

In addition to the annual Board and Committee reviews, the Board received an annual governance report from the Company Secretary and reviewed the matters reserved to the Board, delegated authorities, the register of interests and performance against Committees' terms of reference.

Section 172(1) Statement

Directors' statutory duties are set out in the Companies Act 2006, under which s172 requires Directors to act in a way that they consider, in good faith, would be most likely to promote the success of the Post Office for the benefit of the Shareholder and Post Office's wider stakeholder community having regard, among other things, to long-term consequences in relation to Board decision-making.

The Post Office is committed to working transparently and taking account of the needs of postmasters, customers, partners and suppliers, as well as the interests of Post Office's employees and other wider stakeholders who have an interest in what the Post Office does and how it does it. When making strategic decisions about how the Post Office can operate effectively and successfully, the Board considers views across all its stakeholders to inform its thinking and to understand the impact of any decisions it makes in line with the duty to do so under s172 of the Companies Act 2006. Board discussions and decisions are informed by structured papers which, among other things, consider the stakeholder impact and potential risks associated with proposals recommended to the Board. Section 172(1)(f), which sets out the need to act fairly as between members of the Company is not applicable to the Post Office, given the Post Office has a sole shareholder.

After due and careful consideration of the requirements set out in s172, and having regard to long-term consequences in relation to Board decision-making, the Directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the Post Office for the benefit of the Shareholder and Post Office's wider stakeholder community.

An overview of the key strategic priorities for the Board during 2023/24 is set out on pages 25 to 27. This statement should also be read alongside the Interim Chair's foreword on pages 3 and 4 and the Chief Executive's statement on pages 5 and 6.

The following sets out the broad considerations in relation to stakeholder interests that the Board has taken into account in its discussions and decision-making:

- **Postmasters** – remediating and learning the lessons from the Horizon IT scandal remains a fixed backdrop to Board discussions and provides a lens through which decision-making is tested and scrutinized. As is the need for Post Offices to continue as viable, sustainable and profitable businesses and for postmasters to be remunerated appropriately and fairly.

Post Office engages with postmasters in a number of ways to communicate, to seek their feedback, to understand their perspectives and to inform thinking across a number of relevant strategic and operational matters, including by having Postmaster Non-Executive Directors on the Board, conducting Postmaster surveys, by direct engagement in branch, via Branch Hub, through postmaster participation on specific projects and initiatives and through postmaster representative bodies. However, this work is not considered complete and this important agenda will continue to develop.

- **Customers** – the Board considers the implications decisions will have on customers, in terms of accessibility of services, the range of products and services the Post Office provides and the quality of those products and services.

  Post Office engages with customers in a number of ways to communicate, to understand their perspectives and to inform thinking about Post Office products and services, including through customer surveys.

  Employees – the Board considers the effect its decisions could have on employees, including issues relating to morale and staffing, and makes sure that workplace policies and practices are fair and staff well-being is supported. The Board's oversight includes the appointment of one of the independent Non-Executive Directors, currently Amanda Burton, as 'Speak Up' Champion and its consideration of 'Speak Up' matters when required. During 2023/24, the Board continued to be conscious of the prevailing backdrop of the challenges the Post Office continued to face as it sought to address past failings and the intense scrutiny it was under, both from the ongoing POHIT Inquiry and wider external interest.

  Post Office engages with staff in a number of ways to communicate, seek their feedback and understand their perspectives, including by running staff engagement surveys, holding weekly staff briefings sessions, via the Post Office intranet, through all staff email bulletins and as part of other routine engagement, for example between staff and their line managers and via intra-team and intra-function engagement.

- **Partners and suppliers** – the Board makes sure that the Post Office works to high standards of business conduct, with appropriate policies, governance and procedures in place for entering into and managing contracts for the supply of goods and services, together with values and standards expected when dealing with third parties. During the year, the Board also approved the Post Office's Modern Slavery Statement, a copy of which is on the Post Office corporate website. We adhered to the Payment Practices requirements, averaging paying circa 95% of our invoices within 30 days over the financial year.

- **Community and the environment** – the impact of the Post Office's operation on the community is a key consideration for the Board given the social purpose of the Post Office and the provision of services to all members of the community. The impact of the Post Office's operation on the environment is set out in further detail in the Streamlined Energy and Carbon Reporting section on pages 62 to 69; and

- **Our Shareholder, DBT** – the Post Office is wholly owned by DBT; DBT does not have responsibility for the day-to-day running of the Post Office, however DBT (through UKGI) monitors performance and oversees key decisions, particularly compliance with the minimum network access criteria and the provision of specified services. The Shareholder Relationship Framework Document describes certain parameters within which the Post Office is expected to operate, certain obligations with which the Post Office is expected to comply, and certain aspects of the relationship with DBT and UKGI.

A Shareholder Representative Non-Executive Director sits on the Board (appointed by DBT) and also sits on all the Board sub-committees. The DBT Minister who has responsibility for the Post Office writes to the Chair setting out the Shareholder's objectives for the Post Office and expectations on the areas of priority, and this letter is shared with the Board. The Chair and CEO meet at least bi-annually with the Minister and senior officials at DBT and UKGI.

The table below sets out some specific key strategic discussions and decisions during the year and how the Board had regard to the consequences and impact of these matters and associated decisions, in line with its responsibilities under Section 172(1) (a) to (f) of the Companies Act 2006. More detail about some of the key areas is provided in other sections of this report.

Strategic issue: Postmaster remediation and redress

Background	Key stakeholders	Stakeholder engagement and Section 172(1) matters and relevant outcomes or decisions
● It is imperative that postmasters receive financial redress for wrongdoing, harm and losses caused, most significantly by the Horizon IT scandal. ● The following schemes have been set up to provide redress - some are administered by the Post Office and some are administered by DBT. The schemes are: o The Group Litigation Order Process (administered by DBT) o Horizon Shortfall Scheme o The Horizon Convictions Redress Scheme (administered by DBT) o The Overturned Convictions Scheme o Suspension Remuneration	● Postmasters – current and former ● Wider stakeholders including the POHIT Inquiry ● DBT ● Employees	● During the year, the Board and the Remediation Committee continued to receive comprehensive reports on the work to remediate and pay redress to impacted postmasters across all the different schemes. ● In related matters, the Board also received periodic updates on two key people-related projects - Project Phoenix and Past Roles. ● Project Phoenix was set up to review allegations made by postmasters of wrongdoing on the part of Post Office and/or Post Office employees (both current and past) as part of the POHIT Inquiry Human Impact Hearings. ● The Past Roles review was established to consider whether current employees who had undertaken a role in the past related to the matters being examined at the POHIT Inquiry were now in conflicted roles or where questions may be raised about the integrity and/or independence of the work being done or where postmaster/public confidence may be undermined. ● In making a range of decisions about the schemes, the Board had regard to the best interests of postmasters, where the over-riding objective was the swift and fair payment of redress. ● In its discussions on the staff-related reviews, the Board was mindful that trust in the remediation processes was paramount, but it understood that a balance needed to be struck and that it must also have regard for the well-being and fair treatment of staff.

Review o Post Office Process Review		

Strategic issue: Postmaster sustainability

Background	Key stakeholders	Stakeholder engagement and Section 172(1) matters and relevant outcome or decision
• Each year, the Board holds strategy away days. • At its away days in July 2023, the Board took the opportunity to look at how the Post Office could evolve its business and undertook an oversight review of the commercial opportunities that might exist in future.	• Postmasters • Customers • DBT • Employees	• An external subject matter expert attended to provide insight on wider regulatory and retail trends. • The relevant DBT Minister also attended to provide a perspective from the Government and hear the Board's views on Post Office's future ambition. • In taking a step back from the immediate challenges in the here and now, the Board was able to focus on postmaster profitability, responding to changing customer needs and securing the longer term-sustainability of the Post Office network.

Strategic issue: Horizon maintenance and replacement

Background	Key stakeholders	Stakeholder engagement and Section 172(1) matters and relevant outcomes or decisions
• The Strategic Platform Modernisation Programme (SPMP) comprises the development of the new branch technology to replace Horizon and the maintenance of Horizon while the new technology is being developed.	• Postmasters • Customers • DBT • Employees • Wider stakeholders including the POHIT Inquiry.	• Postmasters and other users have been directly involved in the development of the new branch technology. • While the Board has since agreed that the SPMP and the Horizon replacement solution should be reassessed, it has been clear that remediation activities to address the CIJ findings should continue to be a priority. • With postmasters and customers at the centre of its thinking, the Board was also clear that the end goal remained unchanged – to deliver fit for purpose, reliable and efficient in-branch technology and systems.

Remuneration Committee Chair's Statement

Introduction

The focus of the Remuneration Committee in 2023/24 has been to improve the governance relating to remuneration matters, highlighted in the reports that both I and Simmons and Simmons delivered, in relation to the Transformation Incentive Scheme ("TIS"), and more recently in the Grant Thornton review of the effectiveness of the Committee.

Following my appointment to the Board in April 2023, I was asked to conduct a review of the TIS and in particular the Inquiry sub-metric. My findings and those of Simmons and Simmons are well documented and the Committee accepted all the recommendations which have been actioned on. The more recent Grant Thornton recommendations on improving the effectiveness of the Committee are being progressed.

I am pleased to report that the Shareholder has approved all current incentive schemes.

Matters considered by the Committee in respect of 2023/24 remuneration and Committee operation:

- Setting the metrics for STIP 2023/24 and LTIP 2023-26
- Reviewing and updating the STIP and LTIP scheme rules
- The Committee's Terms of Reference were reviewed and amended accordingly to ensure the continued effectiveness of the Committee
- Review of Reward principles to ensure alignment of variable pay schemes to business strategy and stakeholders, and to facilitate new schemes being signed off much earlier in the year
- Introduction of new 'standing items' at each scheduled quarterly Remuneration Committee meeting, including;
    - Governance tracker, aligned to the various governance reviews and recommendations
    - Summary of all live incentive schemes, including clear audit trails of scheme metrics, targets and approvals
    - 'RAG status' run-rates of all live incentive schemes to track progress of all scheme metrics
    - Formal forward planner for all scheduled Committee meetings, to ensure decisions are made on the right topics at the right time

Key remuneration decisions taken in 2023/24:

- STIP 2023/24 design approved with the guiding principles focused on;
    - Cost control and efficient running of the business; aligned to postmaster and shareholder expectations of effective control measures.
    - Driving mails and banking revenues; two primary elements of Post Office's overall revenue, but more importantly, the two biggest drivers of postmaster remuneration- bringing greater alignment between management bonuses and postmaster remuneration.
    - Delivery of a wider selection of parcel carrier propositions for postmasters, with the targeted delivery of many new non- Royal Mail carrier propositions (including Evri, DPD, DHL and Amazon) into the branch network- providing postmasters with new revenue streams and bringing a new demographic of customers into branches, to promote additional retail spend in their businesses.
    - Colleague engagement- targeting an increase in the engagement index across our colleague population- tracking the aspiration to make Post Office a great place to work for all.
- The Committee considered the outturn of the 2023/24 STIP and whether there were any reasons to apply discretion to adjust the award. In particular, the Committee reflected on the level of postmaster remuneration delivered in the year. The Committee was also mindful that the Inquiry was ongoing and

there had been continued challenges around the speed of redress for postmasters and in meeting our disclosure obligations. After careful reflection, the Committee concluded that the 2023/24 award should be made. The Committee will continue each year to review the formulaic outcome of incentives and consider if discretion should be applied to adjust the outcome taking into account all relevant factors including but not limited to levels of postmaster remuneration.

- LTIP 2023-26 design approved- guiding principles focus on;
    - Increasing the engagement score in the annual Postmaster survey.
    - Increasing Post Office's leadership effectiveness, as measured by the annual colleague engagement survey.
    - Driving year on year revenue growth, to ensure Post Office's future viability and self-sustainability.

- Nil base pay increase for CEO and CFO for 2023/24.
- Following the CEO's resignation in September 2024, Mr Read waived any rights to the STIP 2023/24 and the LTIP 2021-24, and these, together with the STIP 2024/25, and LTIPs 2022-25, 2023-26 and 2024-27 have lapsed in accordance with the scheme rules.
- The CFO retired on the grounds of ill health in June 2024 and, in accordance with the scheme rules, is treated as a Good Leaver. The award made to the CFO under the 2023/24 STIP was 56% of maximum opportunity (equal to 36.96% of salary). The award made to the CFO under the 21/24 LTIP was 7.5% of maximum (equal to 5.25% of salary).

Into 2024/25:

2023/24 was something of a 'reset year' for Post Office's Remuneration Committee; with several new Non-Executives joining the Committee during the year, following a number of departures; providing the opportunity to reassert our purpose and intention, with significantly improved governance protocols.

As Chair of the Remuneration Committee, now with a full year in role, I am pleased with the progress that we have made; with robust governance structures in place, regular cadence of meetings- focused on the key topics, at the right time. The Committee will continue its focus on strengthening the alignment of remuneration targets and outcomes to strategy and the experience of our stakeholders.

Amanda Burton
Chair of the Remuneration Committee

Directors’ Remuneration Policy

Summary

The Committee is responsible for setting the remuneration packages for the Executive Board members (CEO and CFO), as well as the other members of the Strategic Executive Group.

The Post Office remuneration strategy is based on the following:

- attracting, motivating and retaining the right talent within an agreed policy to lead and deliver the strategic plan; using incentives appropriately to reward the achievement of strategic business goals and promote the long-term viability of the organisation; reinforcing a culture of sustainable performance, partnership and mutual ways of working; and providing a transparent approach to the disclosure of pay.

The 2018 UK Corporate Governance Code sets out a number of provisions for best practice remuneration policy. We have aligned our policy with these provisions.

How policy aligns with the Code provisions

Clarity	This report provides a comprehensive account of the Committee’s objectives and decisions over the year. We also maintain an extensive and continuous dialogue with the Shareholder on all matters related to the remuneration of our Executive Directors.
Simplicity	We aim for simplicity in the structure of remuneration and how it is communicated so that it is easy to understand for both participants and external stakeholders.
Risk	Executive Directors are subject to malus and claw back in the STIP and LTIP. This provides for the reduction or return of all or part of bonus payments in the event of misstatement of the financial statements, error, gross misconduct, or instances where the Executive Director has contributed to serious reputational damage of the company, a material corporate failure or some other exceptional event. Additionally, the Committee has the absolute discretion to make adjustments, including a downward adjustment, to any bonus payment due under any scheme if it considers such adjustment to be appropriate having taken into account all relevant factors.
Predictability	As Post Office is not able to pay in shares, there is no risk of excessive gains within our incentives. The upside of incentives is capped to avoid any “windfall gains.” The range of possible values of rewards to individual Executive Directors is set out in the scenario charts on page 46.
Proportionality	A meaningful portion of an Executive Director’s overall total reward is linked to performance. The potential upside is in line with conservative market practice and is capped.
Alignment to Culture	Our remuneration framework includes a consideration of how individuals have demonstrated our Behaviours These Behaviours are critical to our cultural transformation and underpin how we operate as a business: “working in partnership as one team”.

Executive Directors: Key elements policy

The following table sets out the key elements of the Remuneration Policy for Executive Directors (the CEO and CFO). The specific measures and targets for the incentive plans for the Executive Directors requires consent from the Shareholder each year.

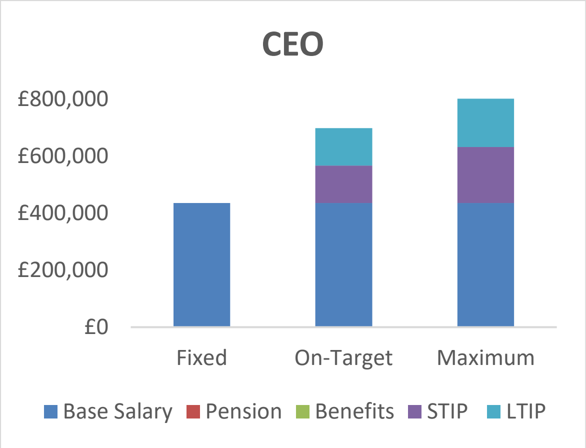
Element and link to strategy	Operation	Potential
Base Salary **To recruit and reward individuals based on their skills and for the responsibilities required.**	Salaries are normally reviewed on an annual basis, ordinarily in July. When determining base salary increases for Executives, the Committee takes into account: • individual capability and performance growth; • internal comparisons within POL; and • market data on comparable roles.	There is no formal cap set on salaries. Any increase in Executive Directors’ salaries will typically be no more than that applied to the wider workforce and will take account of the increases in the public sector and wider market trends and requires Shareholder consent
Benefits	In line with Government guidance for senior employees, participation in benefits such as cars, and health cover schemes are no longer provided to new Executive Directors.	Historically, all Executive Directors had the opportunity to participate in benefit schemes. However, the CFO was the only remaining

Element and link to strategy	Operation	Potential
The policy is to consolidate taxable benefits into base salary.	Since September 2019, any new Executive appointee is not offered these benefits as part of their remuneration package.	participating Executive as he was appointed prior to September 2019.
Pension **To provide market competitive pensions packages.**	Historically, Executive Directors received a 25% salary supplement in lieu of pension. In line with Government guidance for senior employees, any new Executive Director appointment from September 2019 has not been offered salary supplement in lieu of pension but remains entitled to participate in the Post Office Pension Scheme at the same levels of contribution as the wider workforce.	For 2023/24 the CEO has opted out of the Post Office Pension Scheme. The CFO receives a 25% salary supplement in line with previous policy.
Short-Term Incentive Plan ("STIP") **A discretionary payment to reinforce and reward improved in-year financial, operational and personal performance.**	STIP awards are made annually. The metrics and target ranges are agreed annually with the Remuneration Committee and the Shareholder, as part of the annual business and budget planning cycle. These are described in the Directors' Remuneration Report. The target STIP award is based on a business scorecard, including financial and non-financial measures. This outcome is then modified with a personal multiplier, based on individual performance against objectives which are approved by the Board. Company measures are defined at Threshold, Target and Maximum payment levels.	Maximum opportunity under the STIP as % of salary for different levels of performance are as follows: **CEO:** Threshold: 24% Target: 30% Maximum: 45% **CFO:** Threshold: 32% Target: 40% Maximum: 66%
Long-Term Incentive Plan ("LTIP") **To reward and retain key executives and senior managers on the achievement of strategic longer-term targets linked to the development and growth of a sustainable business.**	LTIP grants are made annually and are paid in cash at the end of three years depending on performance against the metrics. LTIP performance measures may include company-level financial and non-financial metrics defined at Threshold, Target and Maximum levels. There is no individual component or multiplier for the LTIP. Performance measures for the LTIP support the Post Office Strategic Plan agreed with the Shareholder. The performance targets are agreed with the Shareholder in advance of each grant and are described annually in the Directors' Remuneration Report.	Maximum opportunity under LTIP as % of salary for different levels of performance are as follows: **CEO:** Threshold: 24% Target: 30% Maximum: 43% **CFO:** Threshold: 40% Target: 50% Maximum: 70%

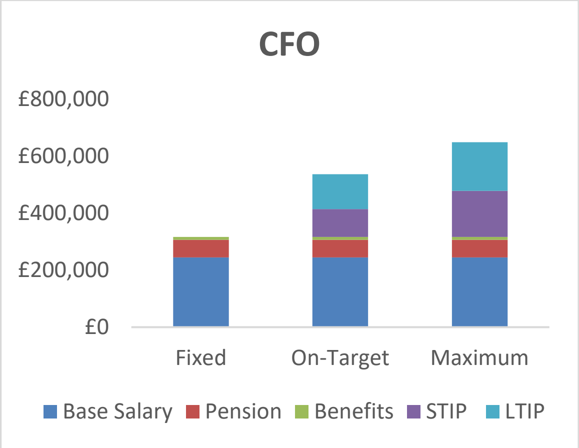
Illustrations of application of remuneration policy

The charts below show the quantum and composition of the current remuneration policy for the two Executive Directors in year under three different performance scenarios:

- Fixed pay only (i.e. there is no STIP or LTIP pay-out).
- On-target performance (STIP and LTIP paying out at a target level).
- Maximum (maximum pay-out of both STIP and LTIP).



Notes:
Base salary £435,750
Target STIP £130,725* and Target LTIP £130,725 – both at 30% total of £697,200
Maximum that can be achieved is capped at 45% on STIP and 43% on LTIP – total of £819,210



Notes:
Base salary £244,800 plus pension and benefits of £71,168
Target STIP £97,920* and Target LTIP £122,400 – 40% and 50% respectively - total of £536,288
Maximum that can be achieved is capped at 66% on STIP and 70% on LTIP – total of £648,896

*The modelling at 'on-target' assumes a performance rating of 3 and personal multiplier of '1' for the STIP.

Policy on payment for loss of office

Item	Policy
Fixed pay	Payments in lieu of notice of salary only. Payments in lieu of notice are not pensionable.
STIP	The default position is that any outstanding STIP will lapse on termination of employment. However, in certain prescribed 'good leaver' circumstances, the awards remain subject to performance conditions measured to, and paid after, the end of the performance period, and reduced pro rata to reflect the portion of the period the individual was employed. The definition of good leaver status is set out in the scheme rules.
LTIP	The default position is that any outstanding awards will lapse on termination of employment. However, in certain prescribed 'good leaver' circumstances, the awards remain subject to performance conditions measured to, and paid after, the end of the performance period, and reduced pro rata to reflect the portion of the period the individual was employed. The definition of good leaver status is set out in the scheme rules.
Change of control	There are no enhanced provisions on a change of control.

The remuneration package for a newly appointed or promoted Executive Director is normally set in accordance with the terms of the remuneration policy of the Post Office in force at the time of appointment and remains unchanged from that outlined in last year's annual report.

Non-Executive Directors: Key elements of the remuneration policy

The remuneration framework for the Non-Executive Directors requires consent from the Shareholder. Post Office's Articles of Association provide that the aggregate total of Non-Executive Director remuneration may not exceed £470,000 per annum.

The Chair is paid a single fee which is to cover all duties (including chairing the Nomination Committee). The Non-Executive Directors are paid a basic fee together with additional fees for chairing Board Sub-Committees or the role of Senior Independent Director. Non-Executive Directors do not participate in any variable remuneration or receive any other benefits.

The fees for Non-Executive Director roles are set out in the table below:

	2023/24	2022/23
Chair	£150,000	£150,000
Senior Independent NED fee additional fee	£5,000	£5,000
Non-Executive Directors base fee	£35,000	£35,000
Chair of Audit, Risk and Compliance Committee, Chair of Remediation Committee and Chair of Remuneration Committee, Chair of Investment Committee additional fee	£10,000	£10,000

The Company's policy when setting fees for the appointment of new Non-Executive Directors, below the Chair, is to apply the same policy which applies to current Non-Executive Directors. These fees are reviewed by the Remuneration Committee, prior to Shareholder approval. As per the Remuneration Committee's Terms of Reference, the fee for the Chair is determined by the Shareholder and is set with consideration to the time commitment for this role and the responsibility it holds.

Annual Remuneration Report (unaudited)

	Nick Read CEO		Alisdair Cameron CFO	
Financial year	2023/24	2022/23	2023/24	2022/23
	£000	£000	£000	£000
Annualised salary	436	436	245	245
Actual salary	436	436	196 (Note 3)	245
Benefits	-	-	8	10
Pension benefit (Note 1)	-	-	49	61
Fixed remuneration total	**436**	**436**	**253**	**316**
STIP (Note 2)	-	137	72	85
LTIP (Note 4)	-	-	13	-
Variable remuneration total (Note 5)	**-**	**137**	**85**	**85**
Total remuneration	**436**	**573**	**338**	**401**

Note 1: The CEO does not take a pension benefit and does not have any benefit entitlements due to being appointed after the September 2019 policy change. The value shown for the CFO is the pro-rated total employer pension benefit, which can be taken as cash or directed into pension at the employee's discretion.

Note 2: Pay-out of the 2023/24 STIP will be made following Board approval of the Annual Report and Accounts ("ARA"). The amounts shown above are the expected values based on all known data at the time of publishing.

Note 3: Actual salary and pension benefit are reduced in line with POL absence policy.

Note 4: The 2021-2024 LTIP is based on salary at 1 April 2021.

Note 5: Aligned to the scheme rules, the CEO forfeited all unpaid incentive scheme awards, upon his resignation in September 2024.

Remuneration Outcomes 2023/24

Base salaries

Salaries for individual Executive Directors are reviewed annually.

The Committee has agreed with the Shareholder that there shall be no increase in base salary for 2023/24 for the CEO or CFO.

STIP 2023/24

The 2023/24 STIP comprises both financial and non-financial metrics in line with the strategic priorities of the business and with the aim of driving improved outcomes for postmasters.

The scheme had two gateway metrics; firstly; Network Availability (see note 1 below) – 11,500 Branches (subject to any waiver from the Shareholder). Secondly, new for 2023/24 scheme year there was an individual gateway metric that colleagues had to have completed all assigned mandatory compliance training by the year-end to be eligible for an award under the scheme.

Each of the main scheme metrics has three performance levels set which correspond to Threshold, Target and Maximum pay-out levels (see note 2 below).

The design of the STIP 2023/24 has a strong alignment to views and needs of postmasters, colleagues and our shareholder.

Factor	Weighting	Threshold	Target	Max	Recorded Performance
Cost challenge – achievement of the 2023/24 cost challenge to deliver £15.9m saving against operating costs	25%	£14.31m	£15.9m	£17.49m	£15.9m
Mails Revenue	12.5%	£269.46m	£299.4m	£359.28m	£304.1m
Banking Revenue	12.5%	£143.28m	£159.2m	£191.04m	£161.2m
Improvement in the colleague engagement score	25%	69%	71%	73%	57%
Business Transformation – roll-out of the Mails strategy	25%	Parcels Online platform launched, live and in active customer use by 31 October 2023	Threshold measure met plus at least 25,000 carrier propositions across the network by 31 March 2024	Threshold measure met plus at least 30,000 carrier propositions across the network by 31 March 2024	Threshold met plus 38,982 carrier propositions at 31 March 2024

Company measures

Note 1: The network stood at 11,805 branches at year-end.

Note 2: Payment calculated on a straight-line basis between threshold and target, and target and maximum, where applicable

Individual performance

Individual performance impacts on the final award made to individuals, based on an assessment of performance against objectives. The end of year performance rating drives a personal performance multiplier, which is applied to the overall outcome of the scheme metrics.

LTIP 2021-24

LTIP 2021-24 was granted in April 2021 and vested in March 2024. The scheme is comprised of financial and non-financial metrics, aligned to long-term business deliverables.

The scheme had two gateway metrics; firstly, around Network Availability of 11,500 Branches (subject to any waiver from the Shareholder) (see note 1 in relation to the STIP outturn) and secondly achievement of a positive EBITDAS (Earnings Before Interest, Depreciation, Amortisation and Subsidy) for FY2023/24. Both gateway metrics were achieved.

The specific scheme metrics are detailed below, with the first five metrics failing to meet threshold levels, and the sixth metric (colleague engagement) achieving the maximum level.

Factor	Weighting	Threshold	Target	Max	Recorded performance
Cashflow - EBITDAS less change spend	40%	(-£138m)	(-£115m)	(-£92m)	Missed
Postmaster promise – Based on improvements to two questions on the Postmaster Satisfaction survey	15%	30%	35%	40%	Missed
Systems Implementation – Focused on the percentage of branches fully adopting or utilising the process and services available through the new system	15%	70%	80%	90%	Missed
Systems Implementation – Delivery focusing on the number of branches offering Royal Mail Group services without Horizon by 31 March 2024	15%	Outstanding branches represent less than 25% of the estate and implementation within 3-6 months	50% completed by end of 2024	100% completed by end of 2024	Missed
Customer Promise – Improvements in brand perception metrics. Looking across the average score in the last 3 months of FY23/24 across 3 questions relating to: - Purpose - Product - Channel	7.5%	64.50%	69.50%	74.50%	Missed
Colleague Promise – Blended average score across a set of colleague engagement questions	7.5%	38%	43%	48%	49.7%

Outstanding interests in LTIP

Under the remuneration policy, LTIP awards are generally granted annually. The CFO has the following outstanding award, subject to performance against targets and Committee approval:

	Target award	Stretch award	Performance period
CFO	50%	70%	2022 - 25

LTIP 2023-2026

The Committee approved an LTIP for 2023-26, with further approval from the Shareholder for the CEO to participate in this plan. The plan aims to reward, motivate and retain senior executives for long-term sustained performance against critical measures of success. Neither of the Executive Directors who were in role during 2023/24 will receive an award under this 2023-2026 plan. The CEO forfeited his 2023-2026 on resigning from the business and the CFO was not granted a 2023-2026 award.

The LTIP comprises strategic transformational measures. There is a gateway measure; there must be at least 11,500 branches (network availability) at the end of 2025/26. This requirement must be met before any LTIP award can be made.

There are three equally weighted measures in the plan:

- Financial - targeting revenue growth over the 3 year period
- Postmaster Perspective – targeting an improvement in the responses to two questions in the annual Postmaster survey
- Culture – measuring leadership effectiveness through key questions in the annual colleague survey

There is no individual performance measure for the LTIP.

Each performance measure will be defined at three performance levels: Threshold, Target and Maximum. Specific details will be detailed at the point of making any award under the Plan.

Total pension entitlements

Any new Executive Director appointment from September 2019 is not offered salary supplement in lieu of pension but remains entitled to participate in the Post Office Defined Contribution Pension Scheme at the same levels of contribution as the wider workforce. Historically, Executive Directors, including the CFO, received a 25% salary supplement in lieu of pension. This still applies to the CFO under legacy contractual arrangements.

Remuneration of the CEO over time

The table below shows the total remuneration of the CEO over ten financial years (since the Post Office became independent from Royal Mail) with a breakdown of the elements of remuneration in each year, showing the level of incentive paid under each relevant scheme relative to maximum opportunity (note this is not a percentage of salary).

Year ending	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Remuneration	522	619	671	718	717	475	415	816	573	436
Salary	250	250	250	255	255	415	415	415	436	436
TIS (% of target)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	98%	N/A	N/A
STIP (% of target)	48%	77%	99%	96%	71%	32%	N/A	101%	105%	N/A
LTIP (% of target)	45%	59%	62%	80%	100%	N/A	N/A	104%	N/A	NA

From 2015-2019 the CEO remuneration data relates to Paula Vennells.

The 2020 figure is an annualised figure relating to Nick Read for comparison purposes. Nick Read worked 54% of the year due to starting on 16 September 2019.

The 2021 figure excludes any STIP payment as the 2021/22 scheme was replaced with a deferred bonus scheme (TIS) which paid out in March 2022. The 2022 LTIP payment for the 2019-22 plan is prorated in line with Nick Read's start date.

There was no LTIP vesting in 2023. The 2022 value is restated to reflect the element of the TIS which has since been repaid (£54k) by the CEO.

No incentive awards were paid to the CEO in 2024 due to his voluntary resignation from Post Office in September 2024.

CEO pay ratio

In line with our commitment to transparency, we provide information below on our CEO pay ratio. This has been calculated using Option A under the relevant regulatory requirements.

	Total remuneration		
2023/24	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
CEO single figure remuneration	£436,000	£436,000	£436,000
Pay ratio	15:1	12:1	8:1
Employee total pay and benefits	£29,000	£35,000	£56,000

The CEO remuneration is the total single figure remuneration for the year ended 31 March 2024.

The total pay and benefits for Post Office employees at P25, P50 and P75 has been determined using the calculated full-time equivalent ("FTE") basic pay, including assumptions for fixed allowances, taxable benefits, accrued incentives and the default defined contribution employer pension contribution for the year ended 31 March 2024.

By way of comparison, Willis Towers Watson, Post Office's Remuneration Committee advisor until September 2024, quotes the median UK CEO pay ratio in the FTSE 250 at 39:1.

The table below shows the P50 ratio information each year since this figure was first reported in 2020/21.

	2021/22 P50 (median)	**2022/23 P50 (median)**	**2023/24 P50 (median)**
CEO single figure remuneration	£816,000	£573,000	£436,000
Pay ratio	25:1	17:1	12:1

The 2021/22 CEO pay ratio has been restated from the 2021/22 Annual Report and Accounts, to reflect the reduction in the CEO's total remuneration, taking into account the total value repaid under the TIS bonus.

Payments to past Directors

There were no payments to past Directors.

Payments for loss of office

No payments were made for loss of office in 2023/24 to Executive Directors, and at the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office to Executive Directors.

Annual Remuneration: Non-Executive Directors

The table below shows the remuneration of Non-Executive Directors for the year ended 31 March 2024 and the comparative figures for the year ended 26 March 2023.

Name	Annualised fees 2023/24	Actual fees (Note 1) 2023/24	Actual fees 2022/23
Henry Staunton (Note 2)	150,000	123,387	50,000
Tom Cooper (Note 3)	-	-	-
Lorna Gratton (Note 3)	-	-	-
Lisa Harrington (Note 4)	45,000	7,625	45,000
Saf Ismail (Note 5)	35,000	35,000	35,000
Elliot Jacobs (Note 6)	35,000	35,000	35,000
Ben Tidswell (Note 7)	50,000	50,242	46,667
Brian Gaunt (Note 8)	35,000	35,000	35,000
Simon Jeffreys (Note 9)	45,000	45,000	7,366
Andrew Darfoor (Note 10)	45,000	34,306	-
Amanda Burton (Note 11)	45,000	41,750	-

Note 1: The actual fees are shown as at 31 March 2024 or at the date of leaving.

Note 2: Joined the Board as Chair on 1 December 2022 and ceased to be a member of the Board on 27 January 2024, with no compensation for loss of office. Nigel Railton was appointed as Interim Chairman on 24 May 2024 at the same fee level (to be formally reported for financial year 2024/25).

Note 3: Tom Cooper and Lorna Gratton are employees of UK Government Investments Limited ("UKGI") and received no NED fee from Post Office. Tom Cooper ceased to be a member of the Board on 11 May 2023 and Lorna Gratton took up her position as the UKGI representative on 12th May 2023.

Note 4: Appointed as Non-Executive Director on 8 April 2020 and as Remuneration Committee Chair on 26 January 2022. Stood down from the Board on 1 June 2023.

Note 5: Appointed as Non-Executive Director on 3 June 2021.

Note 6: Appointed as Non-Executive Director on 3 June 2021.

Note 7: Appointed as Non-Executive Director on 27 July 2021 and Chair of Remediation Committee on 26 August 2021. Senior Independent Director from 14 March 2023. Interim Chair between 1 October 2022 and 30 November 2022. Fees for 2023/24 include a £242 back payment for increased fees that was processed after March 2023 payroll deadline.

Note 8: Appointed as Non-Executive Director on 25 January 2022.

Note 9: Appointed as Non-Executive Director on 23 March 2023 and is Chair of the Audit, Risk and Compliance Committee. Fees paid from 2 February 2023 to facilitate the onboarding process, in line with the letter of appointment.

Note 10: Appointed as Non-Executive Director on 20 June 2023. Appointed Chair of Investment Committee on the 26 September 2023.

Note 11. Appointed as Non-Executive Director on 27 April 2023 and Chair of Remuneration Committee 26 May 2023.

Service Contracts

Each of the Executive Directors has a signed contract with Post Office. Service contracts normally continue until the Executive Director's agreed retirement date or such other date as the parties agree. The service contracts contain provisions for early termination.

	Date of service contract	Notice period
CEO	16 September 2019	6 months
CFO	28 January 2015	12 months

The Chair and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of joining the Board	Date of leaving the Board	Notice Period
Henry Staunton	1 December 2022	27 January 2024	6 months
Tom Cooper	27 March 2018	11 May 2023	N/A
Lorna Gratton	12 May 2023		N/A
Lisa Harrington	8 April 2020	1 June 2023	6 months

Name	Date of joining the Board	Date of leaving the Board	Notice Period
Elliot Jacobs	03 June 2021		6 months
Saf Ismail	03 June 2021	3 December 2024	6 months
Ben Tidswell	27 July 2021	9 July 2024	6 months
Brian Gaunt	25 January 2022		6 months
Simon Jeffreys	23 March 2023		6 months
Andrew Darfoor	20 June 2023		6 months
Amanda Burton	27 April 2023		6 months

Copies of the service contracts of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

Amanda Burton
Chair of the Remuneration Committee

17 December 2024

Equity, Diversity & Inclusion

Creating a culture where everyone feels they belong is fundamental and goes beyond setting Equity, Diversity & Inclusion ("ED&I") targets or stretching ourselves to meet and exceed them. We must ensure that our inclusive approach is upheld in full throughout the business and that anything contrary to this is called out and addressed.

In this section of the report, we explain how Post Office is working to create a fair and progressive workplace for everyone, and on improving our gender and ethnicity pay gaps.

Equity, Diversity and Inclusion Policy

ED&I at Post Office goes beyond meeting the minimum legal requirements. The Post Office is full of talented, committed people and we want to create an environment where difference of thought, experience and background is encouraged, an environment where everyone has opportunities to grow regardless of gender, race, sexuality, disability, or other characteristics. And we want our people to trust that any decisions that are made are based on merit and fairness and our processes support the elimination of bias.

ED&I Targets

Challenging gender and ethnicity diversity targets have been set for the overall workforce and specifically for Senior Management to reflect the communities that we serve. Our aspiration is that we will have a team which is 50% female and 18% Diverse Ethnic Background ("DEB"), 5% Disabled and 5% LGBTQ+ by 2028 at all levels, with special focus placed on our Senior Leadership population. We also understand the challenges that we face at SEG level, as shown in the table below, and will ensure that representation continues to be an ongoing commitment. Our work continues in this area, with ongoing reviews of ED&I strategy.

Our performance against our targets was mixed but showed some positive changes which is encouraging. Summary data is shown in the table below:

	Colleague Group	2023/24	2022/23	2021/22	2020/21
Gender (data shows percentage female)	All Colleagues	52.4%	52.7%	52.5%	53.9%
	Group Executive	12.5%	11.1%	20.0%	12.5%
	Senior Leadership Population	35.4%	36.5%	34.0%	34.6%
	Senior Managers	41.7%	42.8%	40.7%	44.0%
	Middle Managers	47.6%	46.8%	47.9%	46.0%
	Graduates	47%	n/a*	60.0%	50.0%
	NEDs	20%	18%	33.3%	33.3%
DEB (Diverse Ethnic Background) (data shows percentage DEB*)	All Colleagues	23.2%	22.9%	20.0%	21.0%
	Group Executive	0.0%	0.0%	0.0%	0.0%
	Senior Leadership Population	10.8%	11.1%	5.7%	2.0%
	Senior Managers	15.3%	15.8%	14.3%	12.0%
	Middle Managers	19.8%	19.7%	17.8%	16.0%
	NEDs	20%	9%	22.0%	11.0%
	Graduates	33%	n/a*		

* Graduate data not disclosed for certain years due to small population numbers to respect confidentiality of personal data shared
Data in the table above is as at 5 April 2024.

Whilst progress is gradual, we believe that we are now seeing the impact of our efforts in building a more diverse slate of candidates at the recruitment stage by challenging recruiters to provide balanced shortlists, and in neutralising the language in job advertisements to remove any type of unconscious/subconscious bias. Regarding internal promotions, 47% of internal promotions were women, 14% were employees from a diverse ethnic background, 3% had a disability and 6% colleagues who identify as LGBTQ+ received a promotion over the past 12 months. Our particular focus going forward will be promotions into the Senior Leadership Population and SEG as there is still a significant gap between our overall figures and our representation at the most senior level.

Our activity in 2023/24

ED&I Audit – Grant Thornton was recruited to conduct a deep-dive audit on all ED&I activities including policies, employee sentiment, marketing, and internal & external communications. On an employee lifecycle maturity curve for ED&I Post Office was found to be two, moving towards three out of five stages of maturity. Grant Thornton also provided Post Office with some recommended actions, which are currently being implemented.

"Let's talk about…" – We continue to receive positive feedback for our 'Let's Talk About' series; in these 'managed conversations' we encourage two or three colleagues to share their personal stories, and then open the floor to Q&A, on a specific topic. The aim of this is to normalise and demystify life experiences which the majority of our colleagues have not been exposed to. We have covered a wide range of subjects including growing up black, wearing a burka, menopause, social mobility, and women's health.

ED&I Events - We actively support and participate in many events based on our ED&I calendar. The events that we recognise range from large international events such as International Women's Day, Black History Month, Pride and Mental Health Awareness week and religious celebrations like Ramadan and Passover to more local or specific days.

Diversity Newsletter - We publish an ED&I Newsletter every quarter, this newsletter is distributed to all colleagues and showcases our work, shares information, signposts resources and publicises upcoming diversity-related events both at Post Office and elsewhere.

Information and Understanding - We maintain a Diversity Dashboard which presents a clear picture across our whole workforce, our leadership team, promotions and new hires. We published our 2023 Equality Pay Gap report in April 2024. The pay gap is a measure of the difference in the average pay of men and women, or people from ethnic minorities across our entire organisation, regardless of the nature or level of their work. Our Gender pay gap showed a similar result to last year, improving slightly from 16% to 15%. Our overall mean ethnicity pay gap is 8%, down from 11% in 2022. Our pay gaps reflect the lack of diversity at senior levels in our organisation. We encourage you to read our full Diversity Pay Gap report on our website for more information.

Diversity Dashboard- The Diversity Dashboard is a graphic representation and summary of Post Office Diversity Data. The data is extracted from our HR system 'Success Factors' and is updated monthly. This is data that employees have given us voluntarily (and have given us permission to use anonymously). Information can be filtered by department and pay band, which helps identify gaps, track success and with forward planning. It also helps with our completing of legal reporting.
Some examples of the data that the dashboard shows us:

- % of employees with characteristics- gender, ethnicity, sexual orientation, religion and disability
- Detailed information on gender and ethnicity (due to the increased disclosure rates) which shows us pay bands and departments
- Hiring, promotions and leavers trend analysis for 12 months (can be filtered by department) for gender and ethnicity – high-level analysis for Sexual Orientation and Disability
- In some instances, we are also able to split out Black, Asian, Mixed and Other for deeper ethnicity representation analysis

Employee Diversity Network Groups- We continue to support colleague-led networks. These include:

- Women at Post Office network group (Affinity)
- Prism which supports our LGBTQ+ community
- Complexions which supports our colleagues from Diverse Ethnic Backgrounds and
- Be You which supports wellbeing and colleagues with a disability

Talent Management and Career Development
In 2022, we invested in a new Talent Manager who joined us as a senior hire, bringing valuable additional expertise to support managers in identifying and developing diverse high-potential talent. In the past 18 months, progress has been made in identifying talent and succession planning with diversity being a thread running through talent development, creating diverse pipelines and succession plans. We also understand promotion opportunities and review performance data of our underrepresented colleagues.

Looking forward

Achieving our goals of creating a truly inclusive workforce, including improving our representation of women and DEB employees at senior levels, requires sustained commitment and continuous action. Our focus for 2024/25 will be:

- Setting our updated and ambitious **ED&I strategy** for 2024-2028. We will consider data from the dashboard, audit and employee survey and focus on accountability, capability and embedding ED&I throughout Post Office.
- Defining our **strategic ambitions** for ED&I, providing clarity on roles and responsibilities across the organisation and articulating our measures of success
- Implementing recommendations from the ED&I audit
- We will further embed our new **Post Office behaviours**; threading ED&I through the new behaviours and communicating this with colleagues:
    - Be Curious- Ask the questions you think need to be asked and push for the truth if you ever think it's missing
    - Move it forward- Keep momentum, pushing things closer to completion, and encourage others to do the same
    - Own the outcome- Take responsibility, run with it and see it through
    - Back each other- We support each other and embrace diversity to build an inclusive culture
- Focusing on those areas that will make a tangible difference to our representation at **Senior Leadership levels** since we need to accelerate our progress in this respect. This will primarily relate to:
    - Recruitment: promoting more diverse job boards and reviewing our end-to-end selection and assessment process
    - Talent Development: improving talent identification and offering development programmes aimed at improving representation of underrepresented groups

We know that meeting our ED&I targets and aspirations will be a significant challenge. We are committed to maintain the sustained focus needed to create an environment where everyone can fulfil their highest potential and deliver their best for our postmasters, customers, and colleagues.

Management of Risk

Overview and Culture

Post Office is, and will continue to be, exposed to many sources of risk as a result of its various activities and the external environment in which it operates.

Effective risk management, underpinned by a strong risk culture and behaviours, is critical to ensure appropriate outcomes for our postmasters, customers, colleagues, and stakeholders. Consequently, improving our culture and approach to risk management remains one of the key focuses of Executive Management and the Board, to ensure lessons of the past are understood and appropriate measures are in place to ensure these are not repeated.

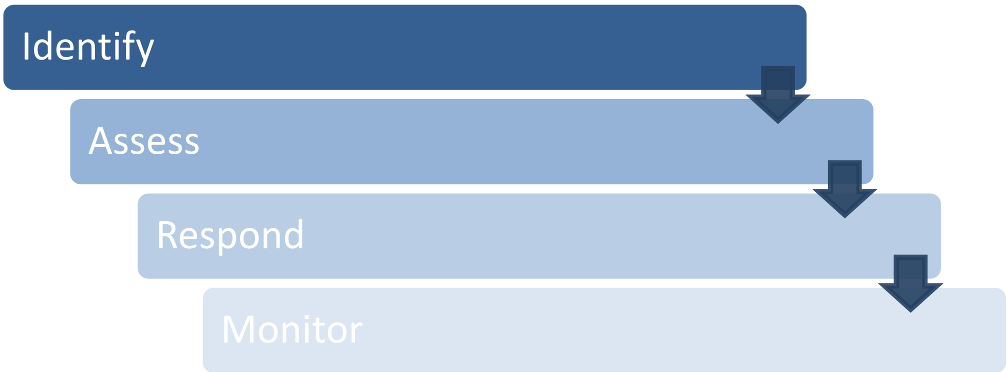
We continually strive to improve our risk culture by encouraging open, honest and upward communication of risks as well as sharing knowledge and best practice. By working together on risk management, we can demonstrate a strong commitment to ethical and responsible business behaviour and decision making.

Whilst we identify, assess and report on our key risks on a regular basis and ensure these operate under agreed risks appetites, a comprehensive approach is being undertaken in 2024/25 to ensure our key risks are reflective of the current macro and micro environment in which the Post Office operates and that the learning of the past and from the POHIT inquiry can be appropriately reflected.

The inherent risk environment faced by Post Office changes over time as emerging trends and factors (including shareholder funding, legal and regulatory, cyber-crime and the POHIT Inquiry) may impact on our short- and/or long-term plans both operationally and commercially. Under the leadership, direction and oversight of the Board, these risks are carefully assessed and managed in order to achieve our annual priorities. We do not, and cannot, seek to eliminate risk entirely; rather, we aim to understand our inherent risk profile and deal with it appropriately. The emphasis is on applying effective risk management strategies, so that all material risks are identified and managed against the agreed risk appetite.

Our Risk Management Framework

Post Office's risk management framework is designed so that the material risks throughout the business can be identified, assessed and effectively managed. This framework incorporates the following core elements:



Identify Risks
- Recorded by each business function into a central Governance, Risk & Compliance ("GRC") tool
- Risk mapping to identify new or emerging themes

Assess
- Determining the likelihood of the identified risk
- Evaluating the potential impact

Respond
- Agreeing proportionate actions to manage the identified risks
- Identifying existing controls

Monitor

- Review the effectiveness of controls
- Maintaining continued oversight and tracking

Risk Monitoring Responsibilities

Board and Audit, Risk & Compliance Committee

Post Office's Risk Management Governance arrangements are focused on ensuring effective risk management and monitoring of risks; how these are proactively identified, remediated, and communicated across the organisation, underpinned by a risk reporting structure. Oversight for risk management is provided by the Risk & Compliance Committee ("RCC"), which is a sub-committee of the Strategic Executive Group ("SEG"), and the Audit, Risk & Compliance Committee ("ARC"), which is a sub-committee of the Board.

The Board, informed and advised by the ARC, lead on the assessment and management of risk, taking a strategic view of the risks faced by Post Office. The Board ensures that there are clear accountabilities for managing key risks, as well as the associated internal controls, and our colleagues are equipped with the relevant skills and guidance to perform their assigned roles effectively and efficiently. The Board also ensure roles and responsibilities are clear to support effective governance and decision-making at each level with appropriate rules around escalation, aggregation and delegation.

In providing such oversight, the Board assesses the nature and extent of the existing and emerging key risks being encountered, as Post Office aims to achieve its objectives. The Board sets out the frequency and scope of its risk discussions and ensures that appropriate mechanism and processes have been embedded by management to bring significant issues to its attention in a timely manner. It also examines potential long-term threats, risks, emerging issues and opportunities to assure itself of the effectiveness of our risk management framework.

The ARC supports the Board in its assessment and management of key risks. The ARC reviews Post Office's Corporate Risk Management policy, risk appetite and approach to risk, to ensure these are appropriately defined and communicated and that parameters and expectations are understood. The ARC regularly and critically challenge and review Post Office's risk management framework to evaluate how well the arrangements are working. In doing so, they also review the adequacy and effectiveness of our internal control framework.

We continue to follow the industry standard "Three Lines of Defence" assurance model in managing the risks across our organisation as it provides a simple and effective way to delegate and coordinate risk management roles and responsibilities.

In accordance with Post Office Enterprise Risk Management policy, risks are monitored, reviewed and recorded regularly to determine whether, or not, the corporate risk profile has changed and to gain assurance that risk management procedures are effective.

First Line Functions

The 1st line function is performed by Post Office individual business units and subsidiary companies, who identify, assess, own and manage the risks. It is also accountable for the design, implementation and maintenance of the associated internal control measures. The SEG form part of the 1st line function, and are accountable for the effective management of risk, and ensuring that an appropriate control environment operates.

Second Line Oversight Function

The 2nd line function is performed by the Central Risk team. It oversees our corporate approach to risk management. This involves defining and implementing the Risk Management Policy. It also assists, together with the Central Compliance & Group Assurance Teams, the 1st line function in developing controls in line with good practice, as well as monitoring compliance and effectiveness. Furthermore, it is responsible for identifying and alerting the SEG, the ARC and the Board to emerging risks and changing risk scenarios.

Third Line Internal Audit Function

Internal Audit, which operates independently of 1st and 2nd line functions, are the 3rd line of defence. It provides an independent evaluation of the adequacy and effectiveness of Post Office's framework of governance, risk management and controls.

Our Control Framework

We have internal Control Frameworks in place for financial reporting, IT processes, change programmes, supply chain processes and postmaster service and support controls. Effective operation of these frameworks is monitored through a self-assessment regime and are managed through an on-line GRC tool. In addition, we have a suite of Post Office policies which define the minimum control standards.

Risk Appetite

The Board carefully sets its appetite aligned to the Post Office annual priorities, which are: i) Rebuilding Trust; ii) Improving Branch Profitability; iii) Transforming Technology. Risk appetite statements are reviewed by the SEG risk owners, RCC and ARC, before being approved by the Board.

The Risk Appetite Statements provide clarity over ownership, enabling us to identify the key individuals within the Group who have responsibility for managing particular risks against the corporate risk appetite scale. This scale has several risk acceptance levels, ranging from avoiding nearly all risks where at all possible, through to acceptance of risk. Risk Appetite is the level of risk which Post Office aims to operate in depending on individual risk scenarios and the risk categories.

Risk appetite can and will change over time, sometimes rapidly, as economic and business environment conditions change, and therefore risk appetite statements will be reviewed annually. Key risks outside of appetite are reported to senior leaders and to the RCC and ARC, to ensure that it receives appropriate focus, to ensure that it receives appropriate focus, to monitor progress of remediation to bring risks back into appetite or to accept the risk being outside appetite and monitor the position.

Current Risk Environment

We continue to maintain a structured approach to risk management, mindful that evolution and refinement continually remain a priority to adapt to an ever-changing environment. Ensuring appropriate coverage and monitoring is in place to protect postmasters to ensure issues of the past can never be repeated.

Whilst management have put in place mechanisms to manage risks, overall our risk exposure has increased over the last 12 months, driven by external factors beyond the control of the Post Office, including the need to ensure the business has access to sufficient funding, challenges associated with the POHIT Inquiry, increasing external cyber threats and delays in delivery the Strategic Platform Modernisation programme. Our risk profile is also impacted by challenges associated with data management, ageing infrastructure, and increased pressure on colleagues across the business.

Key Risks and Uncertainties

In the period covered by this Annual Report and Accounts, key risks were reported to the ARC on a regular basis to ensure they have full visibility of Post Office's risk position and our approach to managing risk. This enables the ARC to assess and consider if risks are being appropriately defined, communicated and managed.

Our key risks are set out in a table in the following pages, together with examples of mitigations. The risks are considered key if:

- Material changes which may impede the delivery of strategic objectives.
- There is a potential of postmaster detriment.
- It exceeds the agreed appetite levels.

The risks presented below should be considered in the wider context in which Post Office operate, including the macro-economic climate, legal and regulatory framework and geo-political landscape that are described elsewhere in this report.

<table>
<tr><th colspan="2">Cyber Security</th></tr>
<tr><td>Risk Description: We fail to prevent unauthorised and/or inappropriate access to Post Office systems, potentially exposing confidential data and a loss of service for postmasters, Post Office employees and our customers.</td><td>Residual Risk Rating:
High</td></tr>
<tr><td>Key Risks</td><td>Examples of Mitigations</td></tr>
<tr><td>• Inability to prevent Cyber or ransomware attacks.
• Inability to recover from a Cyber attack.</td><td>• Carried out an assessment of our Security Maturity to baseline and improve against.
• Ransomware training ensures the business is ready to react in the event of a ransomware attack.
• Ongoing phishing exercises in place to ensure colleagues across the business are aware of the dangers and signs to be vigilant in the event of a genuine phishing attack.
• Continued vulnerability scanning to identify areas which may have weak cyber protection.
• Initiated Cyber Security Maturity Programme.</td></tr>
<tr><th colspan="2">Finance</th></tr>
<tr><td>Risk Description: We fail to effectively manage the business finances in accordance with our requirements and financial constraints, potentially leading to a loss of investment from the shareholder, ability to operate a financially viable business and successfully deliver the annual priorities.</td><td>Residual Risk Rating:
High</td></tr>
<tr><td>Key Risks</td><td>Examples of Mitigations</td></tr>
<tr><td>• Breach of our financial (security & facility) covenant for borrowing facilities.
• Investment from shareholder is withdrawn/reduced (going concern).
• Unknown liability of tax exposure (IR35) of contingent workforce.</td><td>• Working with our shareholder to ensure the business has access to sufficient funding.
• Re-prioritise spending as required.
• Implementing cost reduction strategies as required.</td></tr>
<tr><th colspan="2">Information</th></tr>
<tr><td>Risk Description: We fail to maintain robust, suitable and appropriate data/information and to exploit data/information to its full potential, potentially leading to unreliable data, non-compliance with Legal obligations and impacting the trust of postmasters and Post Office employees.</td><td>Residual Risk Rating:
High</td></tr>
<tr><td>Key Risks</td><td>Examples of Mitigations</td></tr>
<tr><td>• Inadequate Data Governance for unstructured data. (context - storage of hardcopy data items)
• Inadequate Data Governance for structured data. (context - storage of data within a system)</td><td>• Rolled out a group wide Data Governance Framework which lays out the foundations for Data Governance (data ownership, data quality, data cataloguing).
• Improving maturity of Data Governance activities across the business</td></tr>
<tr><th colspan="2">Governance</th></tr>
<tr><td>Risk Description: We fail to adequately define, communicate, educate and enforce in relation to accountabilities and responsibilities at an operational governance level at Post Office potentially reducing transparency of decision making at a corporate governance and operational governance level, leading to a lack of trust and confidence from postmasters, Post Office employees and the shareholder.</td><td>Residual Risk Rating:
Medium</td></tr>
<tr><td>Key Risks</td><td>Examples of Mitigations</td></tr>
<tr><td>• Ineffective Operational Governance (context - clarity of roles and responsibilities, terms of reference)
• Ineffective Enterprise Governance Framework (context - compliance with UK Corporate Governance code)</td><td>• Define operational level accountabilities and review effectiveness of strategic operational level governance forums.
• Post Office have commissioned external governance to assess for Post Office’s compliance with appropriate standards of</td></tr>
</table>

	governance to improve efficiency and transparency of decision making.

Technology		
Risk Description: We fail to provide robust technology across our branches and administrative sites, potentially causing service disruption to our postmasters, customers and Post Office employees and non-compliance with Legal obligations.		**Residual Risk Rating:** High
Key Risks	**Examples of Mitigations**	
• Suboptimal Belfast datacentre resilience levels (context - support and maintain Horizon systems) • End of Horizon support Agreement • Inability to replace the copper network with fibre connections. • Branches unable to process Paystation transactions.	• Horizon Data centre fortification programme underway • Ongoing assessment of legacy hardware and software components. • Programme underway to replace the copper network connections. • Second device programme underway to replace Paystation devices in branches.	
People		
Risk Description: We are unable to attract, retain, recognise and reward people commensurate with the workload, pressure and stress, across our workforce, which adversely impact postmasters and Post Office employees.		**Residual Risk Rating:** High
Key Risks	**Examples of Mitigations**	
• Adverse impact on people's wellbeing. • Ineffective management of the tax status (IR35) of our contingent workforce.	• Employee engagement survey results are analysed, and actions implemented where necessary. • Confidential 'speak up' portal available for all colleagues. • The launch of the Equity, Diversity, and Inclusion hub. • The launch of a Workplace wellbeing campaign, providing support and advice on healthy body, healthy mind, healthy work and healthy life. • Enhanced contract system in place to provide visibility of individuals' employment status. • Policies introduced to manage the correct tax status of contingent workforce.	
Operational		
Risk Description: Failure to provide transparent and fair treatment to our postmasters, along with inadequate service and support, could result in decreased customer satisfaction and hinder our ability to rebuild trust.		**Residual Risk Rating:** High
Key Risks	**Examples of Mitigations**	
• Inability to identify, investigate and resolve discrepancies in a consistent and transparent manner. • Inability to rebuild trust with postmasters. • Inability to improve Branch Profitability	• Enhanced support provided to postmasters to identify, understand, and resolve branch discrepancies. • Branch Discrepancy Improvement Programme initiated. • Annual Postmaster research survey carried out to prioritise activity and focus on areas where we need to support postmasters more. • Continued improvements to the support we provide to postmasters across training, onboarding and central support. • Post Office Strategic review - realigned to place postmaster at the centre of our operations. • Re-shaping the network towards more sustainable branches	
Commercial		

Risk Description: We fail to identify new commercial opportunities and to effectively manage commercial partnerships, supply chains, contractual requirements, changing consumer preferences and banking requirements, potentially leading to the withdrawal of products and services.		**Residual Risk Rating:** Medium
Key Risks	**Examples of Mitigations**	
• Increasing money laundering through our branch network. • Long term Commercial sustainability of Post Office.	• Continue to explore new opportunities from a brand and customer perspective, and new developments within the digital space. • Building relations with other mail carriers and introducing alternative parcel options for customers. • Capacity increased within the commercial contracts team and material contracts are reviewed to ensure obligations are being met. • Continual training on Anti-Money laundering	
Legal		
Risk Description: We fail to meet current, changing or new regulatory and legislative expectations, potentially leading to liability or other loss or failure to take appropriate measures to protect postmasters, Post Office employees and our customers.		**Residual Risk Rating:** High
Key Risks	**Examples of Mitigations**	
• Failure to maintain confidentiality and preserve legal privilege. • Inability to either retain or attract Legal talent. • Non-compliance with Statutory & Regulatory Requirements	• Annual mandatory training in place across the business to ensure we remain compliant with relevant legislation and regulations. • Legal intranet site providing guidance to colleagues across the business. • Secure legal external resources for advice to support demand from the business. • Regular compliance reviews are in place. • Regular engagement with the Information Commissioners Office ensuring that the Post Office is following the correct advice and guidance.	
Reputation		
Risk Description: We fail to protect the future reputation of Post Office potentially leading to decline in customer base, reduced revenue, decreased shareholder value, causing service disruption to our postmasters, customers and Post Office employees.		**Residual Risk Rating:** High
Key Risks	**Examples of Mitigations**	
• Lack of public trust due to historical issues. • Uncertainty to Post Office Brand Commercially	• Frequently monitor brand tracking to understand the impact on customer perceptions and impact to brand trust, plus media relations and marketing demonstrating relevance of today's Post Office.	
Strategy		
Risk Description: We fail to embed a Strategy which is clearly defined and effective in supporting our delivery of strategic priorities, potentially leading to financial loss, reduced shareholder confidence and the inability to deliver change successfully to our postmasters.		**Residual Risk Rating:** High
• **Key Risks**	**Examples of Mitigations**	
• Complex programmes may fail to deliver their expected outcome.	• Embedded the Change excellence framework. • Project Health-checks in place • Post Office Strategic review - realigned to place postmaster at the centre of our operations.	

Streamlined Energy & Carbon Reporting

This report summarises the energy usage, associated emissions, energy efficiency actions and energy performance of Post Office Limited for the data reporting year, being 1 April 2023 to 31 March 2024, under the Government policy on Streamlined Energy & Carbon Reporting ("SECR"), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. It also summarises the methodologies utilised for all calculations related to the elements reported under Energy & Carbon. Under the SECR legislation, we are mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent financial year. A total of 19.65% of consumption data used for SECR has been estimated to achieve 100% data coverage. This has decreased from the 2022/23 estimation level of 34.57%.

SECR Reporting Year – April 2023 – March 2024. Post Office Limited's Scope 1 direct, Scope 2 and Scope 3 indirect emissions for this year of reporting are 4,050.27 (2023: 4198.82) tCO2e, resulting from the direct combustion (combustion of natural gas and transportation fuels) of 18,984,162 (2023: 19,605,148) kWh of fuel. This represents a carbon reduction of 3.54% from last year.

Scope 2 indirect emissions (purchased electricity) for this reporting year are 1,791.79 (2023: 2,048.07) tCO2e, resulting from the consumption of 8,652,867 (2023: 10,590,906) kWh of electricity purchased and consumed in day-to-day business operations. This represents a carbon reduction of 12.51% from last year.

Our operations have an intensity metric of 1.69 (2023: 1.84) tCO2e per full-time equivalent ("FTE") employee headcount for this reporting year. This represents a reduction in the operational carbon intensity of 8.05% from our previous reporting year.

Consumption (kWh) and Location-Based emissions (tCO2e) totals

The following figures show the consumption and associated emissions for this reporting year for our operations throughout the UK, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions include direct combustion of natural gas and fuels utilised for transportation operations, for example, company vehicle fleets.

Scope 2 consumption and emissions cover indirect emissions related to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions cover emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

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Utility and Scope	2023/24 Consumption (kWh)	2022/23 Consumption (kWh)
Gaseous and other fuels (Scope 1)	8,225,054	8,771,777
Transportation (Scope 1): * CiT, Company Car, Mobile Post Office Fleets	9,718,050	9,849,475
Grid-Supplied Electricity (Scope 2)	8,652,867	10,590,906
Transportation (Scope 2): EV and 'plug in' hybrid	248,511	71,071
Transportation: Grey Fleet (Scope 3)	792,547	912,825
Total	**27,637,029**	**30,196,054**

*FY2022/23 Scope 1 transport figures have been restated. See Reporting Methodology section below.

The total location-based emission figures (tCO2e) for energy supplies reportable by Post Office Limited are as follows. Conversion factors utilised in these calculations are detailed in the reporting methodology section.

Utility and Scope	2023/24 (tCO_2e)	2022/23 (tCO_2e)
Gaseous and other fuels (Scope 1)	1,504.60	1,601.20
Transportation (Scope 1): * CiT, Company Car, Mobile Post Office Fleets	2,311.93	2,369.86
Grid-Supplied Electricity (Scope 2)	1,791.79	2,048.07
Transportation (Scope 2): EV and 'plug in' hybrid	51.46	13.74
Transportation: Grey Fleet (Scope 3)	182.28	214.02
Total	**5,842.06**	**6,246.89**

*FY2022/23 Scope 1 transport figures have been restated. See Reporting Methodology section below.

Intensity Metric

Intensity metrics have been calculated using total tCO2e figures and the selected performance indicator (FTE employee headcount) for the relevant reporting period:

Intensity Metric	2023/24 Intensity Metric	2022/23 Intensity Metric
tCO_2e / FTE	1.69	1.84

FTE **(2023/24 – 3,453)** (2022/23 – 3,395)

Energy efficiency improvements

Post Office Limited is committed to year-on-year improvements in its operational energy efficiency. As such, a register of energy efficiency measures available to Post Office Limited has been compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken through 2023/24

Zero Carbon Electricity Supply

Post office continued to source its electricity from ESF's Zero Carbon for Business 100% supply. This initiative ensures that the company's electricity consumption is entirely offset by renewable energy reducing carbon emissions.

Office Relocation to Wood Street

Post Office successfully completed the relocation to Wood Street, consolidating operations from three floors to one. By optimising space and reducing physical footprint, Post Office has enhanced its energy and operational effectiveness.

LED Lighting Retro Fit

Post Office Limited continue to replace conventional bulbs with LED lighting across its facilities, as they are more energy efficient and have a longer life-span.

Exit from Manchester Depot

Post Office Limited exited its Manchester Secure Warehouse, a decision driven by operational needs but one that positively impacts the company's footprint. The closure of this facility reduces the overall energy usage associated with maintaining a warehouse.

Promotion of Electrical Vehicles

The promotion of electric vehicles ("EVs") to company car drivers continued in 2023/24. By the end of the financial year, the company car fleet comprised of 54% EVs, 39% hybrids and 7% internal combustion engine ("ICE") vehicles. This transition reduces the company's fuel consumption and carbon emissions.

Electric Mobile Post Office Vehicles

March saw the introduction of the Post Office's first ever electric commercial vehicle which marked a significant step towards integrating EVs into the company's fleet.

Measures prioritised for implementation in 2024/25

Continued Electric Vehicle Advocacy

EV advocacy will continue with drop-in sessions for employees considering EVs as their next company cars, supported by the company car lease provider. The goal is to further increase the proportion of EVs in the company fleet, thereby enhancing fuel efficiency and reducing emissions.

Exit from Swindon Depot

Post Office plans to exit its Swindon depot in 2024/25. While operationally driven, this move will have a substantial positive impact on the company's energy consumption. Reducing the number of operational facilities contributes directly to lower energy usage.

Deployment of Additional Electric Mobile Post Office Vehicles

An additional two electric mobile Post Office vehicles are now complete and will enter service during 2024/25. Integrating these electric vehicles into the fleet will further reduce the company's carbon footprint and operational costs.

Preparatory Work for EV Charging

Preparatory work is underway for installing EV charging, with potential funding to proceed with these installations during the year. This initiative supports the transition to electric vehicles and enhances the sustainability of the company's fleet operations.

Reporting Methodology

This report (including the Scope 1, 2 and 3 consumption and CO2e emissions data) has been developed and calculated using the *GHG Protocol – A Corporate Accounting and Reporting Standard* (World Resources Institute and World Business Council for Sustainable Development, 2004); *Greenhouse Gas Protocol – Scope 2 Guidance* (World Resources Institute, 2015); *ISO 14064-1 and ISO 14064-2* (ISO, 2018; ISO, 2019); *Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance* (HM Government, 2019).

Government Emissions Factor Database 2023 version 1.1 has been used, utilising the published kWh gross calorific value ("CV") and kgCO2e emissions factors relevant for the reporting period 01/04/2023 – 01/03/2024.

Scope 1 transport figures for FY2022/23 have been restated to align the calculation methodology for more accurate year-on-year comparisons. The intensity metric figure (tCO_2e / FTE) has been restated for 2022/23 to align with The Post Office annual reporting and their improvements in data capture for 2022/23.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to Post Office Limited. These were calculated on a kWh/day pro-rata basis at the meter level.

- For properties where Post Office Limited is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data is available for the meter, the median consumption for properties, with similar operations was calculated at meter level and applied to the properties with no available data.

These full-year estimations were applied to fifty-two electricity supplies and fifty gas supplies. All estimations equated to 19.65% of reported consumption.

A key recommendation is for Post Office to implement improvements in data collection to reduce the estimation level and promote more accurate reporting for future years.

An intensity metric has been calculated using total tCO2e figures and the selected performance indicator agreed with Post Office Limited for the relevant report period.

Non-Financial and Sustainability Information Statement – Climate-related Financial Disclosures Report

Introduction
The Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022 (CFD), require certain public and large private companies to include climate-related disclosures in their annual reports. As a large company, Post Office is subject to these regulations and reports its progress against the mandatory Climate-related Financial Disclosure requirements within this report.

With an extensive network of over 11,500 branches, Post Office is the largest UK retailer. Therefore, we understand the impact that climate change could have on our business. Similarly, we know that we have a responsibility to mitigate and address the impacts of climate change and support the UK Government in achieving its Net Zero target by 2050.

The CFD provides a framework for businesses such as Post Office to assess and manage climate-related risks and opportunities, structured around four key areas: Governance, Risk Management, Strategy and Metrics & Targets. These areas correspond to the fundamental elements of how an organisation should operate when it comes to climate change, and the Group intends to follow this guidance.

This report marks our first year reporting under the CFD guidance, as we begin to integrate climate change into our risk management structure and business processes. The Group is committed to making further progress in 2024/25, as outlined in this report.

Looking ahead, we will build on progress made in 2023/24 by conducting a comprehensive risk assessment to enhance the identification, impact analysis and reporting of climate-related risks and opportunities across short, medium and long-term horizons. In the next financial year, we will also complete a full assessment of our Scope 1, 2 and 3 emissions and associated KPIs and targets.

Governance

Board Oversight
The Board is responsible for the overall governance and strategic direction of the organisation. It ensures that action plans are integrated into the business strategy and future financial planning, to mitigate key business risks.

In 2024/25, the Board will enhance its oversight of climate-related matters by conducting a full assessment of the potential impacts of climate-related risks on the business, followed by the development of climate mitigation plans, and, where possible, conduct a financial estimate for the potential impact of climate change. Additionally, the Board will review how climate-related risks and opportunities impact key business decisions and financial planning, and will approve and validate the climate-related risks and opportunities in 2024/25.

Going forward, the Board intends to discuss climate change and emission reduction progress at least annually when guiding our business strategy. To support the Board in fulfilling its climate-related responsibilities, our third-party environment, social and governance ("ESG") consultants, Inspired ESG, will deliver a climate-related capacity-building session for the Board and ARC.

There is currently no linkage between Board remuneration and the delivery of climate change strategy or performance objectives. This is something we may consider in the future.

The Audit & Risk Committee (ARC)
Members of the Board, including the CEO and four Non-Executive Directors, attend the ARC. The Post Office Limited Chair attends when possible.

In 2023/24, the ARC provided the Board with monthly risk reports. No material near-term climate-related risks were reported during this period. In 2024/25, material climate-related risks will be integrated into these reports, addressing immediate and longer-term climate impacts on the business as our risk assessment matures. The ARC will discuss climate change on a quarterly basis in 2024/25, and the Board can anticipate quarterly updates from the ARC specifically addressing climate change matters.

The Risk and Compliance Committee (RCC)
The RCC is our internal risk committee, which met quarterly in the financial year and is moving to monthly meeting going forwards, to determine the key information and risks that are reported to the ARC. The RCC reports to the ARC on these risks six times a year. In 2024/25, the RCC will address climate-related risks on a quarterly basis. The committee holds responsibility for overseeing and managing risks, and supporting the SEG in fulfilling their responsibilities in the effective oversight of risk management, internal control and assurance, and compliance in the Group.

In 2023/24, the ARC and RCC were informed by the Director of Health & Safety Environment and Business Continuity about the CFD requirements, with climate change being an agenda item at the May 2023/24 RCC and ARC meetings. Climate change has been discussed by the risk committees, with the Director of Health & Safety Environment and Business Continuity providing an overview and update on the process to meet the recommendations of CFD.

Environment and Sustainability Steering Group (ESSG)
The ESSG is a group of colleagues across the business who have an interest in ESG, led by the Director of Health & Safety Environment and Business Continuity, with the support of the Head of Corporate Responsibility and the H&S Business Partner. The ESSG members will be formalised in 2024/25. The ESSG meets monthly to develop and manage the implementation of ESG-related initiatives such as energy efficiency improvements. In 2024/25, climate change will be discussed monthly at the ESSG meetings. Additionally, Inspired ESG plans to conduct two climate risk workshops (for transition and physical risks) for ESSG members in 2024/25. The ESSG and Director of Health & Safety Environment and Business Continuity will be responsible for identifying and assessing the impact of each risk and opportunity, including the climate risks. The members of this group will report quarterly to the RCC and ARC, detailing key outcomes and the progress of mitigation measure development. The Board will be informed of the key developments quarterly, where needed. In 2023/24 the ESSG focused on SECR reporting and supporting emission reduction initiatives.

Risk Management
Our risk management arrangements focus on ensuring effective risk management and monitoring of risks, as well as how these are proactively identified, remediated, and communicated across the organisation.
We currently have four climate-related risks on our risk register following an initial risk assessment focused on the most material areas of the business. The opportunities we have for reducing our impact on the climate are undertaken by a range of different functions and set out in our SECR report. Climate change is not currently a principal risk for the organisation. We will continue to review the need for establishing climate change as a principal risk in 2024/25, as part of further work planned.

The Group acknowledges its responsibility to effectively manage climate-related risks and opportunities. In 2023/24, we finalised our first climate risk assessment which identified four specific climate risks for the business. Each of these risks follow our standard risk approach which includes controls, risk appetites and mitigations. From a risk perspective, the Group targets are based on bringing residual risk ratings within appetite.

Risk description	Risk type	Risk appetite and impact
Extreme weather events impacting on Post Office Sites - Due to increases in extreme weather events, Post Office managed sites might be more frequently impacted by these events, potentially impacting on our ability to operate.	Physical	We have an averse risk appetite to risks that arise in our failure to adapt and proactively respond to extreme weather events impacting on Post Office sites. Significant disruption to our supply chain sites would be likely to have a major impact on a number of

		branches' ability to operate. We will avoid taking pretty much any risk in this area (where at all possible) and have an extremely low appetite for any new risks materialising.
Extreme weather events impacting on Post Office Branches - Due to increases in extreme weather events, Post Office branches operated by postmasters and strategic partners sites might be more frequently impacted by these events, potentially impacting on their ability to operate, in turn impacting on our access criteria and damage to Post Office equipment and stock.	Physical	We have a cautious risk appetite to risks that arise in our failure to adapt and proactively respond to extreme weather events impacting on Post Office branches. This recognises that climate risk is just another type of risk to branches in addition to the range of other reasons branches may be unable to operate in the short or medium term. This means we will accept some risk materialising but only if activity is essential and the possibility and extent of failure is limited.
Failure to understand the ESG credentials of our suppliers - If Post Office fails to understand the ESG credentials of its suppliers (including suppliers' approach to Net Zero 2050) and gather sufficient data from its suppliers on ESG metrics, this could lead to potential reputational damage and regulatory fines.	Transitional	We have a cautious risk appetite to risks that arise due to our failure to understand the ESG credentials of our suppliers. This means we will accept some risk materialising but only if the activity is essential and the possibility and extent of failure is limited.
Lack of Post Office funding strategy to undertake carbon reduction and other activities - Due to the lack of a Post Office funding strategy to secure sufficient funding to undertake carbon reduction and other related activity, there is a risk Post Office is unable to meet its strategic plan to comply with regulatory requirements to be net zero by 2050. This could lead to fines, reputational, commercial damage and customer detriment.	Transitional	We have a cautious risk appetite to risks that arise due to the lack of a Post Office funding strategy to undertake carbon reduction and other activities, throughout the Post Office estate and operations. This means we will accept some risk materialising but only if activity is essential and the possibility and extent of failure is limited.

These risks have fed into our business continuity planning to assess the resilience of the business in response to climate-related scenarios. Internally, teams are required to annually review risks to their area and critical activities that support the ongoing operational effectiveness of the Group. We also perform an annual review on our critical suppliers' business continuity management processes and ask that they provide commentary on their mitigation actions in response to future climate change impacts on the services they provide.

Overall, none of the climate-related risks described in the table above, based on current mitigations, are considered material for the Group in the near term. Over the medium to longer term, potential impacts are less clear, but we remain committed to updating our understanding as our climate assessment matures. As such, and in line with paragraph 4A of section 414CB of the Companies Act 2006, climate-related financial disclosures have been omitted from section 414CB of the Companies Act 2006 paragraph 2A (e), (f), (g) and (h), we reasonably believe that having regard to the nature of the company's business and the manner in which it is carried on, these disclosures are not necessary for an understanding of the company's business.

The Group has an existing risk management process embedded in the organisation structure to identify, assess, and manage risks. In 2024/25, following a wider and more comprehensive assessment of potential climate-related risks and opportunities (the first time we will be doing this with external support), climate change will be further integrated into the existing risk management process, enhancing the resilience of the business strategy.

Strategy
Due to the outcome of our initial risk assessment analysis and the complexities associated with reporting under CFD in our first year adoption, we have not completed a full climate scenario analysis for our key operations. In 2024/25, we will undertake comprehensive analysis to further understand the potential impacts and likelihood that climate change may pose, including climate-related risks and opportunities across different warming pathways and timeframes. Subsequently, we will develop further mitigation strategies, prioritise the most material risks, and identify climate-related opportunities to capitalise on. Currently, we have energy efficiency initiatives in place, which we will continue to build on annually. See pages 63 to 65 for more information on our energy efficiency initiatives.

Metrics & Targets
The Group is committed to mitigating the impacts of climate change, reducing emissions, and further developing our approach to ESG. As this is our first year analysing the recommendations of the CFD, we currently do not have any near-term absolute emission reduction targets. The Group aims to make further progress during 2024/25 in regards to setting appropriate metrics and targets to monitor our response to climate-related risks and opportunities. Additionally, we will calculate our full carbon balance sheet (Scope 1, 2 and 3 emissions), which will be reported in our next CFD Annual Report statement.

Directors' Report

The Directors present the Group Annual Report and Financial Statements and Company Financial Statements for the financial year ended 31 March 2024.

Expected future developments

Expected future developments are detailed in the Chief Executive's statement on pages 5 to 6.

Stakeholder Engagement

Details of stakeholder engagement is included in the S172(1) statement on page 37 to 41 and the Remuneration Committee Chair's Statement on page 42 to 43.

Corporate Governance

Details of corporate governance are included in the Corporate Governance Overview 2023/24 on page 18 to 20.

Results and dividends

The loss after tax for the year was £414 million (2023: £76 million loss). The Directors do not recommend the payment of a dividend (2023: £nil).

Share issues

There was no share issue during the year (2023: nil).

Political contributions

No political contributions were made in the year (2023: £nil).

Research and development

Research and development activities took place during the year in relation to IT transformation projects such as Branch Hub, PCI compliance and the Horizon replacement programme.

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

A J Burton (appointed 27 April 2023)

A C J Cameron (resigned 24 June 2024)

T K G Cooper (resigned 11 May 2023)

A Darfoor (appointed 20 June 2023)

B Gaunt

L R Gratton (appointed 12 May 2023)

L C Harrington (resigned 1 June 2023)

S G Ismail (resigned 3 December 2024)

E M Jacobs

S J L Jeffreys

N Railton (appointed 24 May 2024)

N J Read

B Smith (appointed 4 December 2024)

H E Staunton (resigned 27 January 2024)

B J Tidswell (resigned 9 July 2024)

No Director has a beneficial interest in the share capital of Post Office Limited. The emoluments of Directors are set out in note 6 to the Group financial statements and in the annual remuneration report on pages 47 to 53.

Directors' indemnity

Throughout the financial year to the date of approval of the Directors' report an indemnity, made by the company, is in force for the benefit of all Directors of the company.

People

Our people are critical to delivering our organisational purpose and supporting our postmasters to serve the communities in which we operate. We do this by attracting, developing and retaining the best talent and creating an inclusive culture in which everyone can thrive.

New behaviours

Since year-end we developed our new behaviours which are integral to the continued focus on culture change and transformation, to write the next chapter in Post Office history. These behaviours were launched in 2024/25 and will support relationships across the business with postmasters, partners, customers and others. They are the guiderails that will drive Post Office forward and serve as a cornerstone for cultural change. These behaviours are for anyone and applicable to everyone, regardless of role or grade.

Our expectation is that all colleagues live and breathe the behaviours, embrace them and hold themselves and each other to account.

The behaviours are as follows:

Be curious: Ask the questions you think need to be asked and push for the truth if you ever think it is missing. This behaviour embodies personal and professional growth, as well as driving cultural change for individuals, for teams, and for the business.

Move it forward: Keep momentum, pushing things closer to completion, and encourage others to do the same.

Own the outcome: Take responsibility for the issue and run with it until it is resolved by being proactive and intuitive without waiting to be directed.

Back each other: We're all in this together. We support each other and embrace diversity to build an inclusive culture.

The behaviours are simple, set the standard and define the cultural differences we want to see as we step into the future at Post Office.

Building an inclusive culture

Equity, Diversity and Inclusion ("ED&I") continues to be central to Post Office Culture. Our employee network groups include: Affinity - Women at Post Office, to support and nurture female talent; Prism, which connects and supports our LGBTQ+ community; Complexions, our race, cultural diversity and equity network; and Be You which is our disability, mental health, neurodiversity and wellbeing network.

ED&I is woven through our procedures and policies and sits centrally to all parts of the employee life cycle.

A new ED&I strategy with a particular focus on talent management has been launched. This follows the introduction of an ED&I objective for all colleagues as part of the Performance Management Cycle.

The quarterly ED&I summit, attended by SEG members, senior colleagues and network members continues to be held to discuss ED&I, identify and take actions where necessary, and share best practice within the organisation.

This year we also integrated ED&I questions into the Colleague Engagement Survey, so that we can monitor holistically and measure the impact of any ED&I initiatives and interventions.

From October 2024, a new duty on all employers to take reasonable steps to prevent sexual harassment in the workplace came into place. This change in legislation gives Post Office a real opportunity to reflect on our behaviours around sexual harassment and unwanted comments and how to be an ally.

Mandatory annual training on modern slavery continues for employees and provides e-learning modules for postmasters. This ensures that Post Office employees visiting branches know what signs to look out for and they can raise any risks that they spot through our internal channels.

Disabled employees

We are a Disability Confident Employer (Level 2) and have introduced the requisite changes into our talent acquisition processes. Requests for reasonable adjustments are now included as part of our application forms and there is the option for candidates to contact Post Office prior to application, so that reasonable adjustments can be made.

Gender and ethnicity pay gaps

Our gender and ethnicity pay gaps are detailed in the Equity, Diversity and Inclusion section of the Remuneration Committee Chair's Report on pages 53 to 55.

Post balance sheet events

The Directors would like to draw attention to the following post balance sheet event items:

- Transfer of the trade and net assets of Payzone Bill Payments Limited to Post Office Limited
- Autumn Budget 2024
- HSS funding
- SRR funding
- Working Capital Facility – extension
- Taxation funding

Further details are provided in note 25 to the financial statements.

Going concern

Having reviewed the expected future cash flows and given careful consideration to the likelihood of the continued support of Government, the Directors are satisfied that the Group (being the group of companies headed by Post Office Limited) is expected to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In forming this conclusion, the Board has placed significant reliance on a Letter of Support provided by its Shareholder (Department for Business and Trade, "DBT"), details of which are outlined below.

In assessing the Group's ability to continue as a going concern, the Board has considered the Group's financial forecasts for the 15 month period from the date of approval of these financial statements ("the going concern period"). This assessment takes into account the Group's business activities, the current and anticipated economic environment, the principal risks and uncertainties, as well as future trading developments. In doing so, two core scenarios have been assessed as part of this process:

Firstly, a base case scenario – which assumes that Government funding is received to cover activities described below. It also assumes that future funding not contractually committed at the point of approving these financial statements, but included in the Letter of Support, will be forthcoming. Under the base case scenario, the Company maintains compliance with its Security Headroom covenant (which is a restrictive covenant within the Working Capital Facility provided by its Shareholder) and sufficient liquidity is available throughout the going concern period via this Working Capital Facility.

Secondly, a severe but plausible downside scenario – which models a deterioration in trading performance due to reduced demand for certain key product areas and the impact of further cost pressures, including the potential impacts of the Autumn Budget and broader inflationary pressures. This downside also assumes that funding not contractually committed at the point of approving these financial statements, being funding for running the Remediation Matters activities and settling potentially material taxation matters, is not received. Under the severe but plausible downside scenario, the Group forecasts breaching its Security Headroom covenant part way through the going concern period. Moreover, the Working Capital Facility itself would need to be used for purposes other than that for which it was originally intended, being short-term liquidity, and would also become fully exhausted towards the end of the going concern period, resulting in the Group being unable to meet its liabilities as they fall due. This scenario demonstrates that without additional funding and support being provided by Government to fund certain exceptional and investment activities, including the costs to run the Remediation Matters activities and settle potentially material taxation liabilities, the Group would be unable to meet its liabilities as they fall due.

As outlined in the key accounting estimates section in note 1 of the financial statements, there remains significant estimation uncertainty over the £981 million of provisions related to Remediation Matters. While contractually committed funding agreements are in place for the HSS, OC, SRR and PPR, which are in excess of the forecast payment levels, the significant estimation uncertainty in HSS and OC means it is possible for the payments to impacted individuals to exceed funding commitments. Whilst this is unlikely, additional funding from Government would be required in such a situation. In addition, the Shareholder recognises that the Group faces other financial risks including taxation-related risks recognised in the financial statements, which are subject to estimation uncertainty, as well as two contingent liabilities as disclosed in note 20 to the financial statements that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due.

Letter of Support

Given the above, consistent with the prior year, the Shareholder has provided a Letter of Support which has been relied upon by the Board when making its assessment as to whether the Group remains a going concern. The letter confirms that the Shareholder intends to continue to provide financial support to the Group to enable it to meet its liabilities as they fall due for a period of no less than 15 months from the date of approving the 2023/24 financial statements. In addition, the Letter of Support makes clear that the Shareholder recognises that the Group faces other financial risks (including certain taxation-related risks and contingent liabilities) that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due and therefore has provided assurances that funding will be provided in respect of these matters.

However, the Shareholder's Letter of Support does not constitute a financial guarantee and it includes certain caveats making it clear that certain funding may be subject to His Majesty's Treasury ("HMT") consent and the application of the Subsidy Control Act 2022 and consideration of the advisory outcome of the referral process to the Subsidy Advice Unit of the Competition and Markets Authority ("CMA"), where required. Whilst there is no indication that the necessary funding and support will not be forthcoming, the absence of guaranteed committed funding and support at the date of authorisation of the financial statements represents a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The financial statements do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

Further details regarding the going concern assessment and the associated significant judgements are included in note 1 of the Group financial statements.

Financial instrument risk

The exposure of the Group to market risk, credit risk and liquidity risk has been disclosed in note 17 to the financial statements.

Independent auditors

PricewaterhouseCoopers LLP was reappointed as auditor of the Group for financial year 2024/25 by the Board on 4 June 2024 following a competitive tender.

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 Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).

Under company law, 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 Group and Company and of the profit or loss of the Group 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 UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, 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 Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and 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 Group’s and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Group’s and 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 Group’s and Company’s auditors are aware of that information.

Nick Read
Chief Executive Officer
On behalf of the Board of Directors

(Company Number 2154540) 100 Wood Street, London, EC2V 7ER

17 December 2024

Financial Statements

Independent auditors' report to the members of Post Office Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph below:

- Post Office Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2024 and of the Group's loss and the Group's cash flows for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 March 2024; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the period then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for qualified opinion

The Group and Company (collectively the "Post Office") have recognised an aggregate provision in respect of the Horizon Shortfall Scheme of £814 million. This provision is subject to significant estimation uncertainty as a large proportion of this provision amount is based on an estimate made by the Directors of the number of potential additional claims expected under the Horizon Shortfall Scheme and the value at which those claims will be settled. This follows the re-opening of the Horizon Shortfall Scheme to new applicants and an ongoing mail-out to significant numbers of current and former Postmasters encouraging further claims, including in connection with the availability of Fixed Sum Offers of £75,000 per eligible claim, as described in Note 1 to the Consolidated Financial Statements (Critical accounting estimates and judgements in applying accounting policies). Furthermore, Post Office has also recognised a deferred tax asset during the year of £199 million relating to tax losses and allowances that it expects to utilise against future trading profits, due to future Government funding for Remediation Matters being taxable whilst the related settlements are non-deductible, as described in Note 1 to the Consolidated Financial Statements (Critical accounting estimates and judgements in applying accounting policies).

Given that the ongoing mail-out to postmasters is currently in its early stages, we have been unable to obtain sufficient appropriate audit evidence in relation to the estimate made by the Directors of the number of potential additional claims expected under the Horizon Shortfall Scheme and the value at which those claims will be settled, to support an unmodified opinion. Small and reasonable changes to the assumptions made could lead to highly material changes to the value of the provision. Consequently, we have also been unable to obtain sufficient appropriate audit evidence in relation to the valuation of the associated deferred tax asset and the associated taxation credit in the Consolidated Income Statement, as the estimated values are intrinsically linked.

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 qualified opinion.

Independence

We remained independent of the Group 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 4 to the Consolidated Financial Statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

Without further modifying our opinion on the financial statements, we have considered the adequacy of the disclosure made in Note 1 to the Consolidated Financial Statements and Note 1 to the Company Financial Statements concerning the Group's and the Company's ability to continue as a going concern. For the Group and Company to continue to meet their liabilities as they fall due, continued funding and support is required from the Government. In particular, the Directors' base case assumes funding will be forthcoming in respect of certain exceptional and investment activities, including costs associated with running the Remediation Matters activities and settling potentially material taxation liabilities, none of which is contractually committed. Further, in a severe but plausible downside scenario in which this additional Government funding is not forthcoming, the Group will breach the terms and covenants of its borrowing facilities with Government and exhaust those facilities within the going concern period, such that it will not be able to settle its liabilities as they fall due.

Accordingly, the Directors have received written assurances from the Department for Business and Trade ('the Shareholder') of its intention to continue to support Post Office, such that it can settle its liabilities as they fall due. However, these assurances do not constitute a financial guarantee, and include certain caveats making clear that certain further required funding will be subject to His Majesty's Treasury ("HMT") consent and, where required, the application of the Subsidy Control Act 2022, and consideration of the advisory outcome of the referral process to the Subsidy Advice Unit of the Competition and Markets Authority ("CMA"), which is outside the control of the Group and the Shareholder. These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a 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.

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the base case budgets and cash flow forecasts prepared by management, including assessing historical forecasting accuracy and also assessing the severe but plausible downside scenario which includes a reduction in trading performance and Government funding not being received for any taxation related outflows and Remediation Matters running costs. We challenged management on their assumptions, including on the severity of their modelled scenario, validating the mathematical accuracy of the model's calculations;
- reviewing the terms and covenants related to funding facilities, corroborating any waivers to signed agreements where these have been obtained;
- corroborating the existence of working capital facilities and committed Government funding to signed agreements;
- evaluating the Letter of Support received from the Shareholder, including considering any caveats and the impact of these on the material uncertainty;
- reviewing the twelve month extension to the Horizon IT system support contract signed with Fujitsu covering the going concern period which enables continued operational stability; and
- reviewing the disclosures made in the Group and Company Basis of Preparation and the Directors' report regarding the material uncertainty.

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

Emphasis of matter - Estimation uncertainty in relation to the Overturned Convictions and Off-payroll working (IR35) provisions

Without further modifying our opinion on the financial statements, we draw attention to the estimation uncertainty which is disclosed in relation to the valuation of the Overturned Convictions and Off-payroll working (“IR35”) provisions as explained in Note 1 to the Consolidated Financial Statements (Critical accounting estimates and judgements in applying accounting policies). Post Office has recognised provisions of £121 million related to outstanding Overturned Convictions liabilities and £72 million related to IR35 liabilities. As disclosed in Note 1 to the Consolidated Financial Statements (Basis of preparation - Going Concern (material uncertainty)), the Government has stated its intention to provide sufficient financial support to ensure that Post Office can settle its liabilities as they fall due.

Although the Directors have based these provisions on their best estimate, there is significant estimation uncertainty in determining the ultimate amounts that will be payable. In particular the provisions are highly sensitive to assumptions regarding:

i) the estimated value of each Overturned Convictions settlement where an offer has yet to be made or accepted as at the date of approval of these financial statements; and

ii) the estimated value of any settlement with HMRC regarding IR35 liabilities.

Changes in any of these assumptions could result in highly material changes to the valuation of the provisions.

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. Except for the possible effects of the matters described in the Basis for qualified opinion paragraph above, we have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 31 March 2024 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 Group and Company and their environment obtained in the course of the audit, except for the possible effects of the matters described in the Basis for qualified opinion paragraph above, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or 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.

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007, Data Protection Act, and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax laws. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias in determining significant accounting estimates. Audit procedures performed by the engagement team included:

- enquiring with management, internal audit and those charged with governance to understand the relevant laws and regulations applicable to the Group and Company, and their assessment of fraud related risks;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- identifying and testing journal entries using a risk-based targeting approach for unusual account combinations that could impact revenue and Trading Profit;
- challenging assumptions and judgements made by management in determining significant accounting estimates including Remediation Matters related provisions, IR35 liabilities and the assumptions within the property, plant and equipment and intangible impairment assessments; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to the Horizon Shortfall Scheme ("HSS") provision and associated deferred tax asset recognition, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Under the Companies Act 2006 we are also required to report to you 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
17 December 2024

Consolidated Income Statement

for the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Note	**2024 £m**	2023 £m
Revenue from contracts with customers	2	**912**	885
Costs		**(915)**	(865)
Costs – investment spend	5	**(59)**	(38)
Costs – net exceptional items (charge) / credit	4	**(816)**	135
Total costs		**(1,790)**	(768)
Other operating income		**-**	1
Funding for exceptional items	4	**193**	13
Investment Funding	5	**130**	75
Network Subsidy Payment		**50**	50
Depreciation and amortisation	4	**(9)**	(84)
Impairment of fixed assets	4	**(143)**	(255)
Reversal of fixed asset impairments	4	**21**	-
Profit on disposal of property, plant and equipment	4	**24**	-
Share of post-tax profit from joint venture	11	**25**	29
Operating loss		**(587)**	(54)
Operating profit / (loss) before exceptional items		**36**	(202)
Finance costs	7	**(25)**	(27)
Loss before taxation		**(612)**	(81)
Taxation credit	8	**198**	5
Loss for the financial year		**(414)**	(76)

For the financial year ended 31 March 2024 trading profit was £22 million (2023: £50 million).

Trading profit is one of the Group's key financial measures and is calculated as operating profit/(loss) excluding exceptional items, depreciation, amortisation, impairment, investments, profit on disposal of property, plant and equipment and Network Subsidy Payment. Further detail is given in note 23 – alternative performance measures.

Consolidated Statement of Comprehensive Income

for the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Note	**2024 £m**	2023 £m
Loss for the financial year		**(414)**	(76)
Items that will not be reclassified to profit or loss			
Re-measurements on defined benefit surpluses	18	**3**	1
Total other comprehensive income		**3**	1
Total comprehensive expense for the year		**(411)**	(75)

There are no additional other comprehensive income items (2023: £nil) that will be reclassified to the profit and loss in future periods.

Consolidated Statement of Cash Flows

for the 53 weeks ended 31 March 2024 and 52 weeks 26 March 2023

	Note	**2024 £m**	2023 £m
Cash flows from operating activities			
Operating loss before investment spend and exceptional items	24	**(35)**	(239)
Adjustment for:			
Share of post-tax profit from joint venture	11	**(25)**	(29)
Depreciation and amortisation	9,10	**9**	84
Impairment of fixed assets – net of reversals	9,10	**122**	255
Profit on disposal of property, plant and equipment	4	**(24)**	-
Pension defined contribution charge	18	**16**	13
Other losses / (gains)		**3**	(1)
Working capital movements:		**(156)**	225
Increase in trade and other receivables		**(73)**	(14)
(Decrease)/Increase in trade and other payables		**(95)**	233
(Increase)/decrease in inventories		**(1)**	1
Increase in trading provisions		**13**	5
Pension contributions paid		**(15)**	(13)
Net outflow in respect of investment spend and exceptional items:		**(36)**	(126)
Investment and other exceptional costs		**(264)**	(213)
Investment funding		**90**	75
Funding for exceptional costs		**138**	12
Net cash (outflow)/inflow from operating activities		**(141)**	169
Cash flows from investing activities			
Dividends received from joint ventures	11	**29**	3
Proceeds from the sale of property, plant and equipment		**25**	2
Purchase of tangible non-current assets	10	**(72)**	(15)
Purchase of intangible non-current assets	9	**(62)**	(53)
Net cash outflow from investing activities		**(80)**	(63)
Cash (outflow)/inflow before financing activities		**(221)**	106
Cash flows from financing activities			
Finance costs paid		**(12)**	(10)
Lease capital	20	**(9)**	(13)
Lease interest	20	**(3)**	(2)
Fixed term loan repayments	15	**(7)**	-
Proceeds from sale and leaseback – rights retained		**9**	-
Net proceeds of borrowings from DBT	15	**310**	102
Net cash inflow from financing activities		**288**	77
Net increase in cash and cash equivalents		**67**	183
Cash and cash equivalents at the beginning of the year	13	**550**	367
Cash and cash equivalents at the end of the year	13	**617**	550

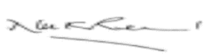
Consolidated Balance Sheet

at 31 March 2024 and 26 March 2023

	Note	**2024 £m**	2023 £m
Non-current assets			
Intangible assets	9	**38**	42
Property, plant and equipment	10	**6**	8
Investments in joint venture	11	**71**	75
Retirement benefit surplus	18	**1**	1
Trade and other receivables	12	**12**	10
Deferred tax asset	8	**202**	4
Total non-current assets		**330**	140
Current assets			
Inventories		**1**	-
Trade and other receivables	12	**457**	290
Cash and cash equivalents	13	**617**	550
Total current assets		**1,075**	840
Total assets		**1,405**	980
Current liabilities			
Trade and other payables	14	**(689)**	(770)
Financial liabilities – interest-bearing loans and borrowings	15	**(746)**	(438)
Provisions	16	**(441)**	(165)
Total current liabilities		**(1,876)**	(1,373)
Non-current liabilities			
Other payables	14	**(32)**	(48)
Financial liabilities – interest-bearing loans and borrowings	15	**(41)**	(45)
Provisions	16	**(666)**	(313)
Total non-current liabilities		**(739)**	(406)
Net liabilities		**(1,210)**	(799)
Equity			
Share capital	19	**-**	-
Share premium	19	**590**	590
Accumulated losses		**(1,802)**	(1,391)
Other reserves	19	**2**	2
Total equity		**(1,210)**	(799)

The notes on pages 86 to 142 form an integral part of the consolidated financial statements.

The financial statements on pages 81 to 142 were approved by the Board of Directors on 17 December 2024 and signed on its behalf by:



N Read Chief Executive Officer

Consolidated Statement of Changes in Equity

for the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Note	Share capital £m	Share premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 27 March 2023		**-**	**590**	**(1,391)**	**2**	**(799)**
Loss for the year		**-**	**-**	**(414)**	**-**	**(414)**
Re-measurements on defined benefit surplus	18	**-**	**-**	**3**	**-**	**3**
At 31 March 2024		**-**	**590**	**(1,802)**	**2**	**(1,210)**

	Note	Share capital £m	Share premium £m	Accumulated losses £m	Other reserves £m	Total equity £m
At 28 March 2022		-	590	(1,316)	2	(724)
Loss for the year		-	-	(76)	-	(76)
Re-measurements on defined benefit surplus	18	-	-	1	-	1
At 26 March 2023		-	590	(1,391)	2	(799)

Notes to the Financial Statements

1. Material Accounting Policies

Financial year

The financial year ends on the last Sunday in March and for this reason these financial statements are made up for the 53 weeks ended 31 March 2024 (2023: 52 weeks ended 26 March 2023).

Basis of preparation

The Group financial statements on pages 81 to 142 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Unless otherwise stated in the accounting policies below, the financial statements have been prepared under the historic cost accounting convention.

The financial statements have been prepared on a going concern basis. This basis is predicated on the assumption that Government will continue to provide support to the Group as required. A material uncertainty has been identified in respect of this assumption, specifically in relation to the reliance placed on a Letter of Support from the Shareholder (Department for Business and Trade, “DBT”) regarding their intention to continue to provide the required financial support. Further details can be found in the going concern assessment on pages 87 to 91.

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

Post Office Limited is a private company limited by shares incorporated in England and Wales. The Company is incorporated and domiciled in the United Kingdom. The Group consolidated financial statements are presented in sterling and all values are rounded to the nearest £ million except where otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings as at 31 March 2024 (together ‘the Group’). Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. A separate set of financial statements has been prepared for Post Office Management Services Limited (subsidiary, registered address: 100 Wood Street, London, EC2V 7ER) for the 53 weeks ended 31 March 2024. Payzone Bill Payments Limited (subsidiary, registered address: 100 Wood Street, London, EC2V 7ER) did not file a separate set of financial statements for the 53 weeks ended 31 March 2024 since it appointed a voluntary liquidator post year-end with an expectation that the entity will complete liquidation proceedings in 2025. See note 25 for further details.

The year-end dates of these subsidiaries are in line with the Company’s. The subsidiaries use consistent accounting policies where appropriate and their results have been consolidated into the Group financial statements. All intra-group balances, transactions, and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

New and amended standards

New standards and interpretations applied

The following accounting standards and interpretations became effective for the current reporting period:

- IFRS 17 Insurance contracts as amended in December 2021;
- Narrow scope amendments to IAS 1 Practice statement 2 – disclosures of accounting policies and IAS 8 – definition of accounting estimates;
- Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction; and
- Amendment to IAS 12 – International tax reform.

The introduction of these standards has not had a material effect on the net assets, results and disclosures of the Group.

New and revised standards and interpretations not applied

There are a number of new and revised IFRSs that have been issued but are not yet effective:

- Amendment to IAS 1 - Non-current liabilities with covenants (effective 1 January 2024);
- Amendment to IFRS 16 – Leases on sale and leaseback (effective 1 January 2024);
- Amendment to IAS 7 and IFRS 7 - Supplier finance ((effective 1 January 2024);
- Amendments to IAS 21 - Lack of Exchangeability (effective 1 January 2025);
- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (effective 1 January 2024);
- IFRS 18 Presentation and Disclosure in Financial Statements (effective 1 January 2027); and
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective 1 January 2027).

Except for IFRS 18 'Presentation and Disclosure in Financial Statements,' no accounting standards or interpretations have been issued which have an effective date after the date of these financial statements that the Group reasonably expects to have an impact on the disclosures, financial position, or performance of the Group. At the date of approval of these financial statements, the assessment of the impact of IFRS 18 remains ongoing.

Basis of preparation – going concern (material uncertainty)

Having reviewed the expected future cash flows and given careful consideration to the likelihood of the continued support of Government, the Directors are satisfied that the Group (being the group of companies headed by Post Office Limited) will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In forming this conclusion, the Board has placed significant reliance on a Letter of Support provided by its Shareholder (Department for Business and Trade, "DBT"), details of which are outlined below.

In assessing the Group's ability to continue as a going concern, the Board has considered the Group's financial forecasts for a 15 month period from the date of approval of these financial statements ("the going concern period"). This assessment takes into account the Group's business activities, the current and anticipated economic environment, the principal risks and uncertainties, as well as future trading developments. In doing so, two core scenarios have been assessed as part of this process:

Firstly, a base case scenario – which assumes that Government funding is received to cover activities described below. It also assumes that future funding not contractually committed at the point of approving these financial statements, but included in the Letter of Support, will be forthcoming. Under the base case scenario, the Company maintains compliance with its Security Headroom covenant (which is a restrictive covenant within the

Working Capital Facility provided by its Shareholder) and sufficient liquidity is available throughout the going concern period via this Working Capital Facility.

Secondly, a severe but plausible downside scenario – which models a deterioration in trading performance due to reduced demand for certain key product areas and the impact of further cost pressures, including the potential impacts of the Autumn Budget and broader inflationary pressures. This downside also assumes that funding not contractually committed at the point of approving these financial statements, being funding for running the Remediation Matters activities and settling potentially material taxation matters, is not received. Under the severe but plausible downside scenario, the Group forecasts breaching its Security Headroom covenant part way through the going concern period. Moreover, the Working Capital Facility itself would need to be used for purposes other than that for which it was originally intended, being short-term liquidity, and would also become fully exhausted towards the end of the going concern period, resulting in the Group being unable to meet its liabilities as they fall due. This scenario demonstrates that without additional funding and support being provided by Government to fund certain exceptional and investment activities, including the costs to run the Remediation Matters activities and settle potentially material taxation liabilities, the Group would be unable to meet its liabilities as they fall due.

Given the above, consistent with the prior year, the Shareholder has provided a Letter of Support which has been relied upon by the Board when making its assessment as to whether the Group remains a going concern. The letter confirms that the Shareholder intends to continue to provide financial support to the Group to enable it to meet its liabilities as they fall due for a period of no less than 15 months from the date of approving the 2023/24 financial statements. In addition, the Letter of Support makes clear that the Shareholder recognises that the Group faces other financial risks (including certain taxation-related risks and contingent liabilities) that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due and therefore has provided assurances that funding will be provided in respect of these matters.

However, the Shareholder's Letter of Support does not constitute a financial guarantee and it includes certain caveats making it clear that certain further required funding will be subject to HMT consent and the application of the Subsidy Control Act 2022 and consideration of the advisory outcome of the referral process to the Subsidy Advice Unit of the Competition and Markets Authority ("CMA"), where required. Whilst there is no indication that the necessary funding and support will not be forthcoming, the absence of guaranteed committed funding and support at the date of approval of the financial statements represents a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The financial statements do not include adjustments that would result if the Group were unable to continue as a going concern.

The Government has for many years provided what may be termed 'traditional funding', in the form of Network Subsidy Payments to fund loss-making branches that the Group is required to operate in line with Government requirements, and investment funding, being funding to help develop the business. However, as a result of the reducing profitability that has been seen in recent years, which is anticipated to continue, and inflationary cost pressures, the requirement to run a Network in line with Government requirements and changes in customer trends impacting profitability, there is a renewed focus on the importance of this funding. For the purposes of the going concern assessment this element of funding is deemed to be in place, albeit subject to final approvals. As outlined in the Post Balance Sheet Events section of the financial statements, Post Office was given the opportunity to bid for an additional £38 million of Network Subsidy Payments in 2024/25, which is in addition to the £50 million of Network Subsidy Payments already committed for the period. This additional £38 million was received in December 2024. Separately, £70 million has been committed for 2025/26, consisting of £50 million of Network Subsidy Payments and £20 million of investment funding. These additional commitments are subject to DBT, CMA, Ministerial and HMT approval.

In addition to this traditional funding, the Group has other ‘exceptional funding’ commitments in place from Government which help to support ongoing exceptional costs, in particular funding redress payments to impacted postmasters in relation to Remediation Matters. Where required, these funding commitments have been updated to ensure adequate funding is in place for the going concern period or until the provisions are expected to be fully utilised, whichever is the earlier. The following agreements are contractually committed and in place at the time of approving these financial statements:

- Horizon Shortfall Scheme (“HSS”): A provision of £814 million has been recognised in 2023/24 (2023: £127 million) after adjusting for the impact of discounting of £36 million (2023: £nil). Government has historically agreed to fund up to £233 million with a commitment end date of 31 March 2025. However, following the announcement of the £75,000 Fixed Sum Offer and the significant increase in the HSS provision as a result, Government has extended the initial £233 million of funding out to 31 March 2026; provided an additional £106 million of funding in respect of previously settled claims such that each claimant that had previously settled their claims in full for less, could have their redress payments topped up to £75,000, and also provided an uncapped commitment to fund all future HSS settlements, up until 31 March 2026. As at 6 December 2024, £274 million of settlement payments have been made to date, therefore utilising £187 million of the Government funding, with the first £87 million of settlement payments having been funded by the Group. As outlined in the critical accounting estimates section on pages 91 to 95, significant estimation uncertainty around this provision balance remains, however the level of funding agreed is expected to be sufficient.

- Overturned Convictions (“OC”): A provision of £121 million has been recognised in 2023/24 (2023: £244 million) after adjusting for the impact of discounting of £6 million (2023: £12 million) to bring the provision to present value, in accordance with the requirements of accounting standards. In 2022/23 Government committed to provide funding of up to £780 million, which is in excess of the current estimated liability. The funding agreement does not have an end date. Further to the Post Office (Horizon System) Offences Act 2024 and the Post Office (Horizon System) Offences (Scotland) Act 2024 which resulted in the mass overturning of Horizon related convictions in England, Wales, Northern Ireland and Scotland, Government is providing redress directly to those postmasters exonerated under the Acts and as such no liability is recognised by the Group in respect of those postmasters. However, individuals whose convictions were overturned in the appeals will continue to receive payments in redress from the Group, along with any individuals who were prosecuted but not convicted. As outlined in the critical accounting estimates section on pages 91 to 95, significant estimation uncertainty around this provision balance remains, however the level of funding agreed is expected to be sufficient.

- Suspension Remuneration Review (“SRR”): A provision of £28 million has been retained in 2023/24 (2023: £64 million). Government has agreed to fund up to £116 million in relation to SRR claims. The funding agreement is in place until 31 March 2026. As outlined in the other areas of judgement and accounting estimates section on pages 91 to 95, uncertainty around this provision balance remains, however the Directors believe the level of funding agreed is expected to be sufficient.

- Post Office Process Review (“PPR”): A provision of £18 million has been recognised in 2023/24 (2023: £nil) in relation to PPR settlements. Government has agreed to fund up to £81 million in relation to PPR claims. The funding agreement is in place until 31 March 2026. As outlined in the other areas of judgement and accounting estimates section on page 96, uncertainty around this provision balance remains, however the Directors believe the level of funding agreed is expected to be sufficient.

In addition to the above redress payments, the Board expects that additional funding will be required in relation to additional exceptional costs, both related to Remediation Matters and otherwise. These additional funding requirements, along with the current status of funding agreements, are detailed below and have been carefully considered in the Directors' assessment of the going concern position.

Remediation Matters and POHIT Inquiry operational costs

Until part way through 2023/24 the Group has funded the operational running costs of the Remediation Matters activities, including HSS, OC, SRR and PPR and the Group's support for the POHIT Inquiry. These activities are recognised as being fundamental in righting the wrongs of the past, ensuring learnings can be taken forward with the objective of preventing similar issues arising in the future and in some cases meeting legal requirements. It was not however envisaged, when the activities began, that the operation and support of these activities would take as long or cost as much as they have and will. The continued development of the Remediation Matters activities, alongside the POHIT Inquiry running for longer than anticipated, has led to a significant increase in costs.

The Group was not able to fund these important activities from its own resources and accordingly the Group was granted an additional £150 million of funding from Government during 2023/24. As part of the Autumn Budget 2024 the Government agreed to continue to fund these activities, subject to ongoing operational agreements being met, however this funding is not currently contractually committed. The Directors' going concern assessment assumes that funding in relation to these matters will continue to be provided, with the assumption supported by the Letter of Support provided by the Shareholder.

Horizon support and technology replacement

The Group is in the process of developing plans for its technology platforms, including that of the Horizon system. This activity is deemed fundamental to the Group given the need to move forward from the past. This is a significant undertaking and will take a number of years to fully develop and roll out across the Network given the complexity of the services offered, the need to ensure the wrongs of the past are not repeated, and the scale of the Network across which technology needs to be deployed.

Development activity of this nature would usually be funded via the traditional investment funding provided by the Government. However, given the scale of the activity compared with the traditional investment funding currently in place, and taking onboard the other requirements across the organisation for which this funding is necessary, additional exceptional funding is required. As plans continue to develop, discussions regarding funding from Government for these activities also continue, with the expectation, as supported by the Letter of Support from the Shareholder, that the Government will provide the necessary funding to enable these activities to be undertaken, subject to agreement of plans and necessary approvals being granted, noting this funding is not contractually committed.

At the point of approving these financial statements, the support contract with Fujitsu, who manage the Horizon IT system, has been extended to 31 March 2026 with work ongoing to extend the contract further to allow appropriate time to roll out a replacement.

Taxation related liabilities

A provision of £72 million has been recognised in the year for additional tax and penalties the Group may incur as a result of potential historical inaccuracies associated with employment legislation (IR35). Furthermore, the Group anticipates making taxable profits during the going concern period, driven principally by the taxation treatment of Remediation Matters funding and redress payouts. Notwithstanding the deferred tax asset recognised in relation to taxation losses and allowances carried forward these matters could result in significant cash outflows during the going concern period. The Group is reliant on the financial support of Government to meet these liabilities as they fall due which the Shareholder recognises and has stated within its Letter of Support that it will work with the Group to ensure these liabilities can be met as they fall due, however this is not contractually committed.

Contingent liabilities

The Group has disclosed two contingent liabilities which may or may not result in material cash outflows during the going concern period, should a liability crystallise. The first relates to reports suggesting that postmasters had been prosecuted or pursued in civil claims by Post Office based on data generated by a software system called “Capture” which was used by some postmasters before Horizon was implemented. The second relates to potential other liabilities which may arise as progress continues on Remediation Matters and as the POHIT Inquiry nears a conclusion. The Shareholder recognises these potential cash outflows and has stated within its Letter of Support that it will work with the Group to ensure that these liabilities can be met should they fall due, however this is not contractually committed.

Working Capital

The Group is restricted in its ability to seek financing from sources outside of Government. As such the Group has significant reliance on Government to continue to provide sufficient financial facilities. Subsequent to the Balance Sheet date but prior to signing these financial statements, the Shareholder has agreed to extend the term of both the £950 million Working Capital Facility and the £50 million Same Day Facility for a period of 3 years, with the facilities now expiring on 31 March 2028.

Critical accounting estimates and judgements in applying accounting policies

The Group makes certain estimates and assumptions regarding the future. Estimates and assumptions are continually evaluated based on historical experience and other factors. In the future, actual experience may differ from these estimates and assumptions.

In addition, the Group has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. The most significant areas where judgements and estimates are made, and which will most likely have a significant effect on the amounts recognised in the financial statements in the next 12 months, are outlined below.

Critical accounting estimates:

Horizon Shortfall Scheme

In December 2019, Post Office reached an out-of-court settlement with the claimants in the High Court proceedings which were being conducted under the GLO dated 22 March 2017. As part of the settlement reached with the claimants in the Post Office Group Litigation, Post Office agreed to establish a remediation scheme open to postmasters who had not participated in the Group Litigation but who had experienced similar issues relating to shortfalls indicated by the previous Horizon system. This scheme is referred to as the HSS. The agreement to establish this scheme was deemed to be a triggering event on which to recognise a provision in the 2019/20 accounts. The HSS launched on 1 May 2020.

A provision of £814 million (2023: £127 million) has been retained in respect of the HSS, with the increase being driven primarily by the Government’s announcement on 13 March 2024 to provide a Fixed Sum Offer of £75,000 and the re-opening of the scheme to new applicants, with a corresponding mailout being undertaken to current and former postmasters to encourage all eligible claimants to come forward. The change in policy regarding the Fixed Sum Offer has resulted in £106 million being recognised in respect of top-up payments to be made for settlements already agreed or paid prior to the balance sheet date with management also therefore revising upwards the estimates in respect of average claim value and number of overall claimants expected, driven by the mailout, which has significantly increased the provision.

The provision of £814 million represents management’s best estimate of the most likely outcome of the potential future payments associated with the claims. The provision requires a number of significant estimates and assumptions by management, with a significant level of estimation risk in respect of the potential scale of the claimants as yet to come forward and the evolving nature of the scheme, which could result in the eventual outcome of the HSS varying significantly from that which has been estimated. Management anticipate a response rate of approximately 25% - 30% to the ongoing mass mail out, which is seeking to invite new claimants to the HSS and invite existing claimants who have not yet settled to consider whether they wish to accept the Fixed Sum Offer. Management anticipate that the majority of new claimants will accept the Fixed Sum Offer. However due to the early stage of the process, with limited data on which to base this estimate, the eventual outcome could vary significantly from these assumptions.

Analysis performed over the assumptions used indicates a wide range of possible outcomes which could materially impact the financial statements. If the expected number of claimants to come forward increased/decreased by 5%, as compared to the number assumed in arriving at the provision calculation, the provision would increase/decrease by £34 million. Further, if the estimated average payment value per remaining unaccepted or potential claim, excluding those that are expected to accept the Fixed Sum Offer, increased/decreased by 5%, as compared to the average value assumed in arriving at the provision calculation, the provision would increase/decrease by £6 million.

Government has confirmed it will provide sufficient financial support to Post Office to ensure that the scheme can continue, including its intention to fund the expected running costs of the scheme beyond the balance sheet date based on current expectations of the potential cost, see the going concern section on pages 87 to 91 for further details. As outlined above, significant uncertainty around the provision balance remains, however it is believed that the level of funding agreed should be adequate, assuming the Government continue to provide financial support. See the going concern section on pages 87 to 91 for further details surrounding Government support.

Overturned Convictions

A provision of £121 million (2023: £244 million) has been retained in respect of OC which represents the present value of the estimated payments for the 111 convictions that have been overturned to date, and the estimated number of individuals prosecuted but not convicted who may come forward. This represents management's latest and best estimate of the most likely outcome of the potential future payments associated with civil claims which have been and may be received, assessed across the whole population of potential claimants. The provision requires a number of significant estimates and assumptions by management, with the level of estimation risk increased as a result of the complexity of the remaining claims yet to be settled and the number of individuals who were prosecuted, but not convicted, for which redress may be provided. It also takes into account settlements made to date.

Given the spread of potential claim values, and the uncertainty around the number of individuals for which redress will be provided where they were prosecuted, but not convicted, there is a significant level of estimation uncertainty. In estimating the provision, management has made two key estimates: the number of claimants to whom payment will be made (a fixed number for overturned convictions, with Government providing redress for all those impacted by the Post Office (Horizon System) Offences Act 2024, but not fixed for those prosecuted but not convicted) and the potential average value of payments to be made. The assumptions used are subjective, but represent management's best estimate using the information available, including advice from external legal advisors, details of settlements and offers made to date and the impact of any decisions and announcements with regards to the process including Government announcements.

The potential outcomes are wide ranging, with analysis indicating the provision could increase or decrease by a material level if key assumptions were altered and could have a further highly material impact on the financial statements. A 10% change in the average level of redress expected per the provision estimate, excluding those who have accepted an offer, would increase / decrease the provision by £11 million. In accordance with paragraph 92 of IAS 37, detailed information in respect of the key assumptions underpinning this provision as required by the standard has been excluded on the grounds that the Directors consider that it would be seriously prejudicial to individual settlement discussions which need to take place on a case-by-case basis.

Government has confirmed it will provide financial support in respect of future payments arising as part of the OC. Should the future payments exceed the current funding level guaranteed by Government of £780 million, which is not anticipated, additional support will be sought from Government. See the going concern section on pages 87 to 91 for further details surrounding Government support. During 2023/24, £26 million (2023: £13 million) of payments were made resulting in utilisation of the provision and recognition of funding being recognised through exceptional items, as presented in note 4.

The costs of operating the above schemes (HSS and OC) are not included within the provisions and are expensed through the income statement as incurred.

Key assumptions used in impairment tests for non-current assets

The Group assesses whether there are any indicators of impairment for all non-current assets at each reporting date as well as if events or changes in circumstances indicate that the carrying value may be impaired. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance compared to historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy of the overall Group; and
- Significant negative micro- or macro-economic trends.

Where appropriate, an impairment loss is recognised in the income statement for the amount by which the carrying value of the asset or cash generating unit ("CGU") exceeds its recoverable amount. The recoverable amount is determined based on the higher of an asset or CGU's value in use and, where supportable, fair value less cost of disposal ("FVLCOD").

The assessment requires the use of significant estimates in regards to forecast cash flows. Board-approved cash flow projections which cover the period to March 2025 have been used as the basis of the value in use calculation. Cash flows have been extended a further two years to March 2027, based on current observable trends and management expectations, removing any significant one-off items. Where applicable, cash flows beyond this period are extrapolated using estimated growth rates. Based on both internal and external factors, the estimated growth rate used in the current year assessment is nil (2023: nil). Where an individual asset included in the CGU can be supported independently by its FVLCOD, that asset would not be impaired below its FVLCOD.

The analysis performed indicates the carrying value of the assets of the Post Office Limited CGU exceed the recoverable amount based on the forecast loss-making position, when ignoring future capital expenditure and investment plans, which have been excluded from the value-in-use calculation in accordance with IAS 36. Consequently, a partial impairment of the CGU has been recognised, incurring an impairment charge of £132 million (2023: £217 million) in the year. This includes £48 million (2023: £110 million) related to intangible assets and £84 million (2023: £107 million) related to property, plant and equipment. The joint venture investment and freehold land and buildings, which are part of the CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD. Refer to notes 9 and 10 for further details.

Non-current assets in scope of IAS 36, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. During the year, a reversal of a previously recognised impairment totalling £16 million (2023: £nil) was recognised in relation to right-of-use assets. Refer to note 10 for further details.

Actuarial assumptions

The costs, assets and liabilities of the pensions operated by the Group are determined using methods relying on actuarial estimates and assumptions.

The pension figures are particularly sensitive to changes in assumptions for discount rates, mortality and inflation rates. The Group exercises its judgement in determining the assumptions to be adopted, after discussion with its Actuary and in accordance with published statistics and experience. Refer to note 18 for details of the key assumptions and sensitivity analysis performed.

Pension liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term. Judgement has been applied in determining that for these purposes a high-quality corporate bond constitutes AA rated or equivalent status bonds.

Recognition of deferred tax assets

The Group's deferred tax assets are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances can be utilised. After assessing all available evidence, both positive and negative, it has been determined that future taxable profits are more likely than not. The primary driver of these projected future taxable profits is the non tax deductible nature of Remediation Matters related settlements and the taxable nature of the associated funding from Government, notwithstanding the significant estimation uncertainty associated with these items, outlined in this report. Current forecasts indicate that these losses and allowances will be utilised over the next three years. Consequently, a £197 million tax credit has been recognised as a credit to taxation in the income statement with a deferred tax asset of £202 million recognised in the Group financial statements of which £199 million is recognised in the Company financial statements and £3 million in Post Office Management Services Limited.

In compliance with IAS 12 Income Taxes, the Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities have been run on the same basis as the Remediation Matters related provisions, with a 10% change being considered a reasonably possible change for the purposes of sensitivity analysis. A 10% increase or reduction in settlement funding would result in a £14 million movement in the deferred tax asset currently recognised.

A further £3 million (2023: £4 million) has been retained in respect of tax losses in POMS.

Uncertain tax position

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Off-payroll working (IR35)

HMRC are conducting a review of Post Office's off-payroll working arrangements. A provision of £72 million has been recognised in the financial year as, after considering views presented by HMRC during the year and the scale of contractors used by Post Office historically to primarily support change and exceptional activity, it is probable that a cash outflow will occur. However, there is significant estimation uncertainty within the calculation and it is possible that the eventual liability will differ considerably, higher or lower, from that recognised on the balance sheet, with the maximum potential exposure being approximately double that of the current provision estimate.

Due to the stage of the review, detailed analysis, trends, patterns and views of HMRC are not available and as such broad assumptions as to the potential findings of the review, including HMRC's stance on POL's actions and decisions have been made. In addition a number of significant estimates and assumptions have been made in deriving the accounting provision including the average rate of tax that would be payable for the impacted population and the level of fines and penalties that could be levied by HMRC following the review, should adverse outcomes arise.

Critical accounting judgements:

Cash generating units ("CGU")

Post Office has determined that it has three CGUs: Post Office Limited, Post Office Management Services Limited and the Payzone Bill Payments business. Post Office Management Services Limited and the Payzone Bill Payments business are standalone businesses each with an identifiable asset base and therefore are deemed to be separate CGUs. Post Office runs a national network of branches which provide a distinct retail offering, resulting in a fluid customer base across the network such that if one branch were to close, the customer base is expected to migrate to another, resulting in no overall cash flow impact to the network. Government access criteria, which includes the requirement for Post Office to have branches within 3 miles of 99% of the UK population, amongst other things, drives the unique spread and reach of the network such that loss-making branches form part of the network. In return, Post Office receives the Network Subsidy Payment to partially offset these losses, however the subsidy is not branch-specific, demonstrating that Post Office operates as a national network. In addition, the majority of owned assets are central assets to support the functioning of the network as a whole, with individual branch assets and those assets that can be allocated to a branch on a reasonable and consistent basis, being immaterial. As such the Post Office Limited network as a whole is deemed to be one CGU.

Going concern assumption

A key judgement is required as to whether support will be provided by Government, to a level which allows the Group to settle its liabilities as they fall due, incorporating potential future cash outflows in respect of significant one-off items which may or may not occur. The judgement that support will be provided by Government, to the extent no formal guarantees are in place, has been made by management, as outlined within the going concern section, from page 87 to 91, and fundamentally impacts the going concern decision made.

Other areas of judgement and accounting estimates:

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. The other areas of judgement and accounting estimates are:

Suspension Remuneration Review

Before March 2019, postmasters did not receive remuneration during the period of any contract suspension. Post Office has subsequently changed this policy, resulting in postmasters being remunerated during a period of suspension.

A provision of £28 million (2023: £64 million) has been retained at the balance sheet date in respect of SRR. This represents management's best estimate of the potential future payments to eligible postmasters whose contracts with Post Office Limited were suspended before March 2019. A number of estimates and assumptions have been made in deriving the accounting provision. The primary estimates are the number of eligible postmasters who may receive a payment and the average value of such potential payments.

With £6 million of settlements made in the year, and a total of £13 million of settlements made as at 6 December 2024, trends and patterns have arisen which have facilitated management's estimates resulting in an overall reduction in the provision. However, the assumptions made remain subjective and therefore the eventual outcome could vary to that which has been estimated. In accordance with paragraph 92 of IAS 37, detailed information in respect of the key assumptions underpinning this provision as required by the standard has been excluded on the grounds that the Directors consider that it would be seriously prejudicial to individual settlement discussions which need to take place on a case-by-case basis.

Government has committed to providing funding for settlement payments through to 31 March 2026 up to a maximum of £116 million. See the going concern section on pages 87 to 91 for further details regarding the funding position.

Post Office Process Review

As part of ongoing internal review into Post Office operational policies and processes it has been identified that some previous operational issues may have detrimentally impacted some postmasters financially. On 8 November 2023 the Group announced on its corporate website that it plans to establish a review to provide redress to postmasters affected. On the same date the Government announced its intentions to support the Post Office with funding to cover the cost of redress to postmasters affected.

The announcement of an intention to establish a review to compensate those postmasters affected is deemed a triggering event for a liability and therefore a provision of £18 million (2023: £nil) was recognised during the year. PPR encapsulates a range of processes which are being reviewed and for which the activity of redress is yet to fully commence, and therefore the early stage of the process results in estimation uncertainty. A number of estimates and assumptions have been made in deriving the accounting provision. The primary estimates are the number of postmasters who may receive a payment and the average value of such potential payments for the impacted processes identified. In accordance with paragraph 92 of IAS 37, detailed information in respect of the key assumptions underpinning this provision as required by the standard has been excluded on the grounds that the Directors consider that it would be seriously prejudicial to individual settlement discussions which need to take place on a case-by-case basis.

Government funding to cover payments made in respect of PPR is in place until 31 March 2026, up to a maximum of £81 million. The funding will be recognised at the point the settlement amount becomes virtually certain. See the going concern section on pages 87 to 91 for further details regarding the latest funding position. The costs of operating SSR and PPR are not included within the provisions and are expensed through the income statement as incurred.

CGU impairment review – network subsidy payments

The Network Subsidy Payment ("NSP") is received from Government to contribute to the costs of Post Office making available the network of public post offices that the Secretary of State for DBT considers appropriate. The Post Office Limited CGU impairment review assumes continued provision of the NSP by Government, into perpetuity, in order to maintain the network.

Branch losses provisions

The Group recognises provisions in respect of estimated levels of missing cash and stock in the branch network which are unidentified as at the balance sheet date, as is common business practice for any retailer. As these missing items are unidentified and the levels of cash and stock held across the branch network are highly material, there is an element of estimation uncertainty within the provision.

Other accounting policies:

Revenue from contracts with customers

The Post Office business was reorganised in the period into four strategic commercial pillars. As such, revenue segments have been updated to reflect these changes.

Mails

Mails

The Group provides Mails support services to Royal Mail, Parcelforce, DPD, Amazon and Evri. Each Mails product and service has an associated transaction price. The transaction price may vary due to the volume transacted in the period. Revenue from providing Mails support services is recognised in the accounting period in which the services are rendered. Post Office Limited is the agent for Mails revenue.

Retail, Government & Identity Service

Retail

The Group acts as a selling agent and earns commission on the sale of lottery tickets, scratch cards and gift vouchers. The transaction price is a contractual commission rate, which is based on the value of sales in the period. Revenue from the sale of lottery tickets, scratch cards and gift vouchers is recognised in the accounting period in which these sales are made.

Government Services

Government services are provided under contract to Government departments, such as the DWP, DVLA and the Home Office. Each Government service has an associated transaction price. Revenue is recognised in the accounting period in which the services are rendered and is based on the transaction price multiplied by the volume of each service provided in the period. Post Office Limited is the agent for Government Services revenue.

Identity Services

Each Identity service has an associated transaction price. Revenue is recognised in the accounting period in which the services are rendered and is based on the transaction price multiplied by the volume of each service provided in the period. Post Office Limited is the agent for Identity Services revenue.

Banking & ATM’s

Banking and ATMs

Through the Banking Framework Agreement, the Group provides over-the-counter banking services, such as withdrawals, deposits and balance enquiries, on behalf of banks. A transaction price is associated with each banking service provided. Revenue is recognised in the accounting period in which the services are rendered and is based on the transaction price multiplied by the volume of each service provided in the period. Post Office Limited is the agent for Banking revenue. In addition, the Banking Framework Agreement provides a fixed-fee element based on activity levels over a 12-month rolling period. Accrued income (a contract asset) is recognised until amounts earned are invoiced.

Financial Services, Insurance, Travel Money & Payment Services

Financial Services

Financial Services products include mortgages, credit cards, savings, travel and banking. The Group earns commission on the sale of these products. The transaction price is a contractual commission rate. This commission rate varies by product and is based on volume or value of products sold in the period as well as the channel of sale, for example online or through the branch network. Revenue is recognised in the accounting period in which the new products are sold. Post Office Limited is the agent for Financial Services revenue.

Insurance

Through its subsidiary, Post Office Management Services Limited, the Group provides general and life insurance intermediation. The transaction price is a contractual commission rate. This commission rate varies by product and is based on the volume or value of products sold in the period as well as the channel of sale, for example online or through the branch network. Revenue is recognised in the accounting period in which the new products are sold. Post Office Limited is the agent for Insurance revenue.

Payment Services

Payment services comprise bill payments (including the subsidiary Payzone). The transaction price is the fee that the Group earns for each bill paid in a branch. Revenue from bill payments is recognised in the accounting period in which the service is rendered and is based on the transaction price multiplied by the volume of bill payments in the period.

Transactional Services (including Travel Money and International Money Transfer)

Transaction Services comprise travel money, MoneyGram, Western Union and Postal Orders. Revenue is recognised in the accounting period in which the services are rendered and is based on the transaction price multiplied by the volume of each service provided in the period. Post Office Limited is the agent for Payment and Transactional Services revenue. In some instances, Transactional Services related revenue is received in advance for a service due to be performed over a period of time. In these cases, the payment is initially recognised as deferred revenue (contract liability), with revenue recognised over the life of the contract, in line with the performance of the service.

Other revenue

Other revenue principally relates to supply chain revenue, predominantly relating to warehousing of Royal Mail stock and transporting high value mails. Revenue is recognised in the accounting period in which the services are rendered and is based on the contractual price agreed with the third party. Post Office Limited is the principal for supply chain revenue.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction process for the time value of money.

Accrued and deferred income (contract assets and liabilities)

Income is accrued on the balance sheet for goods and services for which control has transferred to the customer before consideration is due. Accrued income (contract asset) is reclassified as trade receivables when the right to payment becomes unconditional and we have invoiced the customer, because only the passage of time is required before payment is due. Banking, payment and transactional services attract material amounts of accrued income (contract asset).

Deferred income (contract liability) is recognised when we have received advance payment for goods and services that we have not yet transferred to the customer.

Network Subsidy Payment

The Network Subsidy Payment is received from Government and is recognised as other income to match the related costs of making available the network of public post offices that the Secretary of State for Business and Trade considers appropriate. The subsidy is recognised in the year in which it is received. If the subsidy were to exceed the cost of making the network available, the excess would be repaid to Government and the associated income would be derecognised.

Exceptional items

Exceptional items are significant, one-off items which management consider require separate disclosure within the financial statements in order to enhance understanding of the financial performance of the Group. Exceptional items include legal fees and running costs for Remediation Matters and POHIT Inquiry, changes to Remediation Matters related provisions and an estimated cost for additional tax and penalties that the Group may incur as a result of historical inaccuracies related to employment legislation (IR35). Refer to note 4 for further details.

Exceptional funding

Funding received from Government to offset cash outflows to claimants as part of the Horizon Shortfall Scheme, Overturned Convictions, Suspension Remuneration Review and Post Office Process Review is recognised when the quantum for each specific claim settlement becomes virtually certain, being the point at which claims are accepted. Exceptional funding also includes funding for legal fees and running costs associated with Remediation Matters and the POHIT Inquiry, and is recognised when the associated costs are incurred on the basis that at that point the related funding becomes virtually certain. Refer to note 4 for further details.

Investment spend

Investment spend relates to costs associated with significant transformational activities which do not form part of the underlying trading of the business. Refer to note 5 for further details.

Investment funding

Investment funding is received from Government and recognised at the point of receipt. The funding is received for transformational activities.

Leases

The Group leases various offices, depots, branches, equipment and vehicles in accordance with IFRS 16.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable by the Group under residual value guarantees.
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option.
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted to their present value. In accordance with the terms of the lease contract, the Group may exercise extension or termination options as part of ordinary business operations.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Testing for impairment on right-of-use assets is performed on a CGU basis.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Taxation

The amount charged or credited as current income tax is based on the results for the year adjusted for items which are not taxed or are disallowed. It is calculated using tax rates in legislation that have been enacted or substantively enacted by the balance sheet date.

Where tax returns remain subject to audit, a provision is made for uncertain tax items where the agreed amount could differ materially from management's estimates. Any such provisions are included within the relevant current and deferred tax carrying amount. See critical accounting estimates section for further details.

Deferred income tax assets and liabilities are recognised for all taxable and deductible temporary differences and unused tax assets and losses except:

- On the initial recognition of goodwill.
- On the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.
- On the taxable temporary differences associated with investments in subsidiaries and interest in joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each balance sheet date against internal profit forecasts to assess the likelihood of their utilisation.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the tax asset is realised or the liability is settled, based on tax rates that have been substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset related current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income, or directly to equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

OECD Pillar Two legislation was enacted in the UK on 11 July 2023. The Group will be within the scope of Pillar Two for the financial year ending 30 March 2025. Work remains ongoing to ascertain whether the Group will be subject to additional Pillar Two taxes.

There is no current tax impact on the Group as Pillar Two legislation was not effective for the year ended 31 March 2024. The Group has applied the IAS 12 exception and has not recognised or disclosed deferred tax assets and liabilities related to OECD Pillar Two income taxes in these financial statements.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Under IAS 7 section 22b, proceeds and repayments are shown as net in the Statement of Cash Flows.

Investments in joint ventures

Investments in joint ventures within the Group's financial statements are accounted for under the equity method of accounting. Under this method the investment is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the joint venture less any impairment in value. The income statement reflects the Group's share of post-tax profits from the joint venture. The joint venture is an integral part of the Group's operations.

Property, plant and equipment

Property, plant and equipment excluding freehold property, long leasehold property and land

Property, plant and equipment is recognised at cost, including attributable costs in bringing the asset into working condition for its intended use. After initial recognition, assets are held at cost less depreciation and any accumulated impairment charges. See pages 93 and 94 for impairment assessment policy.

These assets are depreciated on a straight-line basis over the following useful lives:

	Range of asset lives
Plant and machinery	3 – 15 years
Motor vehicles	3 – 12 years
Fixtures and equipment	3 – 15 years

Freehold property, long leasehold property and land

As with property, plant and equipment, this is recognised at cost, including attributable costs of bringing the asset into working condition for its intended use. These assets have a long useful life and a fair market value. They are depreciated on a straight-line basis over the following useful lives:

	Range of asset lives
Freehold land	Not depreciated
Freehold buildings	Up to 50 years
Long leasehold and short leasehold	The shorter of the period of the lease, 50 years or the estimated remaining useful life

The remaining useful lives of freehold buildings are reviewed periodically and adjusted where applicable on a prospective basis. Where freehold property and long leasehold includes the fit-out of those properties, the fit-out is depreciated over its useful economic life in line with fixtures and fittings.

Assets in the course of construction are carried at cost, with depreciation charged on the same basis as all other assets once those assets are ready for their intended use.

Leased assets

Long leasehold, short leasehold, motor vehicles and plant and machinery categories include right-of-uses assets. Further detail is included in note 20.

Intangible assets

Intangible assets are stated at cost less accumulated depreciation and impairment.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. After initial recognition, assets are held at cost less depreciation and any accumulated impairment charges. See pages 93 and 94 for impairment assessment policy.

Research and development

Research expenditure and development expenditure that does not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Software-as-a-service ("SaaS") arrangements

The Group recognises costs incurred in the configuration, customisation and access of cloud-hosted SaaS arrangements in the income statement when the services are received. The Group may incur related costs for the development of software code that enhances the capability of Group controlled software which gives rise to a separately identifiable asset which the Group controls. Where such costs lead to future economic benefit and meet all other recognition criteria for an intangible asset as set out in IAS 38, they are recognised as intangible assets and amortised over the useful economic life of the software.

Intangible assets with a finite useful life:

Intangible assets acquired separately or generated internally are initially recognised at cost. They are amortised on a straight-line basis over the following useful lives:

	Range of asset lives
Software	3 – 6 years
Merchant relationships	5 – 10 years
Brands	15 years

Assets in the course of construction are carried at cost less any accumulated impairment charges, with amortisation commencing once the assets are ready for their intended use.

Goodwill

Goodwill is initially recognised at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is recognised at cost less any accumulated impairment losses. The Group's management undertakes an impairment review annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

Inventories

Inventories include stationery and Royal Mint coin products and are carried at the lower of cost and net realisable value after adjusting for obsolete or slow-moving stock.

Trade receivables

Trade receivables are recognised and carried at original invoice amount. An allowance is made when collection of the full amount is no longer probable. The Group applies IFRS 9 to measure this allowance for expected credit losses, grouping trade receivables based on shared risk characteristics and days past due. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand, including cash in the Post Office network and short-term deposits (cash equivalents) with an original maturity date of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents are as defined above, net of bank overdrafts.

The subsidiaries Post Office Management Services Limited and Payzone Bill Payments Limited hold fiduciary cash balances, these are held on trust on behalf of third parties, see note 13 for details.

Pensions and other post-retirement benefits

Membership of occupational pension schemes are open to all permanent UK employees of the Group.

The Group is the principal employer of the Post Office Section of the Royal Mail Pension Plan ("RMPP") and was a participating employer within the Royal Mail Senior Executives Pension Plan ("RMSEPP") before the scheme was bought out in June 2022. Prior to being bought out, the RMSEPP defined benefit scheme was closed to new members and closed to future accrual. Post Office's obligations under RMSEPP have now been fully extinguished and the scheme was wound up in April 2024. RMPP defined benefit plan is closed to new members and closed to future accrual. All members of these plans are contracted out of the earnings-related part of the State pension scheme.

A Memorandum of Understanding was executed in 2016/17 which removed the unconditional right to refund from the RMPP. As a result of these events the surplus relating to this Plan was derecognised.

The pension assets of the defined benefit schemes are measured at fair value. Liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term.

Full actuarial funding valuations are carried out at intervals not normally exceeding three years as determined by the Trustees and actuarial valuations are carried out at each balance sheet date and form the basis of the surplus or deficit disclosed. When the calculation at the balance sheet date results in net assets to the Group, the recognised asset is limited to the present value of any future refunds of the plan or reductions in future contributions to the plan (the asset ceiling). As noted above, the RMPP Plan has been closed and no future refunds will be made to the Group.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Any deferred tax movement associated with the actuarial gains and losses is also recognised in the statement of comprehensive income. As the Group has no right to a future surplus in the RMPP, an equal and opposite adjustment to the asset ceiling is recognised in other comprehensive income. There is no effect on the net assets position of the Group.

For defined contribution schemes, the Group's contributions are charged to operating profit, as part of people costs, in the period to which the contributions relate.

Bonus plans – short-term incentives

The Group recognises a liability and an expense for bonuses based on a mix of financial and non-financial measures. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Bonus plans – long-term incentives

Long-term incentive awards are made on an annual basis, but not made every year, and are cash settled if performance is achieved over a 3-year cycle. Performance measures are drawn from the Post Office Strategic Plan agreed with DBT. The Group recognises a liability and an expense for long-term incentives as milestones are hit.

Foreign currencies

The functional and presentational currency of the Group is sterling (£).

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in Consolidated Income Statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Due to the nature of provisions the future amount settled may be different from the amount that has been provided.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate. The Group has considered the provisions recognised in the balance sheet and adjusted for the impact of discounting where material to the financial statements.

Costs of operating Remediation Matters related schemes are not included within the provisions and are expensed through the income statement as incurred.

Property provisions

The Group recognises provisions for property contracts that are vacant and onerous. Assumptions are made to determine whether the unavoidable costs of meeting the obligations of a contract exceed the economic benefits expected to be received under it. These include estimates around the future trading performance of the site and cost allocations.

Financial instruments

Initial measurement of financial instruments

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement of financial assets

IFRS 9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value.

Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, “FVTPL”), or recognised in other comprehensive income (fair value through other comprehensive income, “FVTOCI”).

The classification of a financial asset is made at the time it is initially recognised. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

Subsequent measurement of financial liabilities

IFRS 9 divides all financial liabilities into two measurement categories: amortised cost and FVTPL. All of the Group’s financial liabilities are measured at amortised cost.

Derecognition of financial assets

A financial asset is derecognised when the Group determines that it has transferred substantially all of the risks and rewards of ownership of the asset.

Derecognition of financial liabilities

A financial liability is removed from the balance sheet when it is extinguished; that is, when the obligation specified in the contract is either discharged, cancelled or expired.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into, and they are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges).
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).
- Hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 17. Movements in the hedging reserve are shown within other reserves in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were previously recognised in the statement of comprehensive income are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

2. Revenue from contracts with customers

All Group sales occur in the UK. The Group derives revenue from the following major product lines:

Revenue segments	**2024 £m**	2023 £m
Mails	**319**	310
Retail, Government & Identity Services	**62**	63
Banking & ATM's	**285**	267
Financial Services, Insurance, Travel Money & Payment Services	**236**	232
Other*	**10**	13
Total revenue	**912**	885

* Supply Chain income of £10 million (2023: £10 million), arises predominantly from the warehousing of Royal Mail stock and the transport of high value mails. In the prior year, there was a final release of Bank of Ireland deferred income recognised in revenue of £3 million.

At the 2022/23 year end, deferred income of £43 million was recognised within trade and other payables on the balance sheet. In line with the performance of the related services, deferred income has been recognised in revenue from contracts with customers in the income statement.

3. People costs and numbers

Employment and related costs were as follows:

People costs	**2024 £m**	2023 £m
Wages and salaries	**181**	161
Social security costs	**18**	16
Pension costs (note 18)	**16**	14
Total people costs	**215**	191

Period end and average monthly employee numbers were as follows:

	Period end employees		**Average employees**	
	2024	2023	**2024**	2023
Total employees	**3,719**	3,592	**3,679**	3,486

Total employee numbers can be categorised as follows:

	Period end employees		**Average employees**	
	2024	2023	**2024**	2023
Administration	**1,527**	1,419	**1,479**	1,351
Directly managed branches ("DMB")	**1,284**	1,269	**1,292**	1,258
Supply Chain	**808**	798	**809**	786
Post Office Management Services	**29**	28	**28**	23
Payzone	**71**	78	**71**	68
Total	**3,719**	3,592	**3,679**	3,486

4. Operating loss

The following items are included within operating loss:

	2024	2023
	£m	£m
Postmasters' remuneration	**416**	402
People costs*	**200**	175
Depreciation and amortisation (note 9 and 10)	**9**	84
Impairment of fixed assets (note 9 and 10)	**143**	255
Reversal of fixed asset impairments (note 9 and 10)	**(21)**	-
Cost of inventories recognised as an expense	**-**	1
Profit on disposal of fixed assets**	**(24)**	(1)
Exceptional items:	**£m**	£m
• Horizon Shortfall Scheme	**755**	52
• Overturned Convictions	**(92)**	(230)
• Suspension Remuneration Review***	**(30)**	2
• Post Office Process Review	**18**	-
• Postmaster Remediation running costs***	**3**	3
• POHIT Inquiry	**82**	38
• Central Remediation Matters running costs	**8**	-
• Employment legislation (IR35)	**72**	-
Total exceptional items charge / (credit)	**816**	(135)
Funding for exceptional items:	**£m**	£m
• Horizon Shortfall Scheme funding for settlements	**(41)**	-
• Overturned Convictions funding for settlements	**(29)**	(13)
• Suspension Remuneration Review funding for settlements	**(6)**	-
• Remediation Matters and POHIT Inquiry running costs	**(117)**	-
Total funding for exceptional items	**(193)**	(13)
Fees payable to the Group's auditors for audit and other services:	**£'000**	£'000
• Parent Company and Group audit	**1,389**	941
• Audit of subsidiaries	**154**	191
• Other assurance services	**166**	451

* People costs included in the table above excludes amounts recognised in investment spend and amounts capitalised as intangible assets.

** Profit on disposal of fixed assets of £1 million was included in investment spend in the prior year.

*** Comparatives have been re-presented to better reflect the nature of the costs. In the prior year, £5 million was presented in aggregate as Postmaster Remediation costs, being £3 million of costs to run the Postmaster Remediation related scheme and a net provision increase of £2million. Postmaster Remediation running costs encompasses SRR and PPR, with provision movements now disclosed separately. Costs to run both schemes are incurred by the same team and are presented together as Postmaster Remediation running costs.

Postmasters' remuneration:
Postmasters' remuneration of £416 million (2023: £402 million) includes payments made to Payzone agents of £3 million (2023: £3 million).

Impairment:
A net impairment charge of £122 million (2023: £255 million) was recognised in the year, being a charge of £143 million (2023: £255 million) offset by a reversal of £21 million (2023: £nil).

An impairment assessment was carried out at the cash generating unit ("CGU") level resulting in an impairment of fixed assets totalling £132 million (2023: £224 million), driven by the forecast loss making position. In addition to the CGU impairment assessment, the Group conducts regular impairment reviews which identified the need to write down an intangible asset related to software that will no longer be used. As a result, an impairment of £11 million (2023: £31 million) was recognised due to the associated asset no longer having any economic benefit.

The Group recognised reversals of previously recognised impairments totalling £21 million (2023: £nil) during the financial year, primarily driven by a £16 million (2023: £nil) adjustment arising from the reassessment of non-lease components within the Group's lease portfolio. A further impairment reversal of £5 million (2023: £nil) was recognised in relation to a reclassification of previously capitalised costs that were subsequently derecognised to give a more appropriate representation of the nature of the costs. See notes 9 and 10 for further details.

Exceptional items:
An exceptional expense of £816 million (2023: £135 million net credit) was recognised in the year. This related to Remediation Matters, the POHIT Inquiry and employment legislation (IR35), broken down as follows:

- HSS costs relate to legal costs and costs to run the scheme of £10 million (2023: £36 million) and a net increase in the provision value of £745 million (2023: £16 million), driven by the announcement of the Fixed Sum Offers for eligible claimants of £75,000 and the expectation that the ongoing mass mailout will result in a significant increase in the overall number of claimants.
- OC costs relate to legal costs and costs to run the scheme of £15 million (2023: £15 million) and a net overall reduction to the provision of £107 million (2023: £245 million), driven by changes in accounting assumptions underpinning the provision estimate, including revised case numbers. The overall net reduction to the provision excludes the unwinding of discount, which is recognised in finance costs, see note 7.
- SRR credit is due to a net provision reduction of £30 million (2023: increase of £2 million). The decrease from the prior year relates to updated management estimates including revised case numbers and rate changes.
- PPR charge is due to the recognition of a provision totalling £18 million (2023: £nil) based on management's estimate of future payouts as at the balance sheet date.
- Postmaster Remediation, being costs associated with running SRR and PPR schemes, incurred costs of £3 million (2023: £3 million) during the year.
- POHIT Inquiry legal and running costs of £82 million (2023: £38 million) relate to the public Inquiry into the Horizon IT scandal which was placed onto a statutory footing on 1 June 2021 and began its oral hearings in February 2022.
- Central running costs associated with the Remediation Unit of £8 million were incurred during the year.
- Employment legislation (IR35) costs of £72 million (2023: £nil) are for estimated additional tax and penalties that the Group may incur as a result of potential historical inaccuracies.

Remediation Matters related provisions are explained more fully in the critical accounting estimates section in note 1.

Exceptional funding:
Funding for exceptional items of £193 million was recognised in the year (2023: £13 million) in line with agreed Government funding for Remediation Matters related to Horizon Liabilities and Remediation Claims, broken down as follows:

- HSS funding of £41 million (2023: £nil) relates to funding received from Government to offset cash outflows to claimants as part of the scheme. Post Office self-funded and paid £17 million as part of the funding agreement in place whereby it was liable to settle the first £87 million of HSS claims without associated funding from DBT.
- OC funding of £29 million (2023: £13 million) relates to funding recognised from Government to offset cash outflows to claimants as part of the settlement for overturned convictions.
- SRR funding of £6 million (2023: £nil) relates to funding received from Government to offset cash outflows to claimants as part of the SRR scheme.
- Funding of £117 million (2023: £nil) relates to central costs associated with running HSS, OC, PPR, SRR and costs associated with POHIT Inquiry.

5. Investment funding and investment spend

	2024 £m	2023 £m
Investment funding	**130**	75
Investment spend		
Business transformation	**(13)**	(1)
Network programmes	**(4)**	(1)
IT transformation	**(42)**	(36)
Total investment spend	**(59)**	(38)
Net investment funding	**71**	37

Investment funding:

Investment funding of £130 million (2023: £75 million) was received from the Department for Business and Trade ("DBT"). Of this, £90 million was received for transformation activities as part of the three-year funding agreement with Government from April 2022 to 31 March 2025. An additional £40 million has been recognised in the year in relation to funding to support the transformation of IT infrastructure, specifically the Horizon replacement programme, as part of a funding agreement with DBT.

Investment spend:

Investment spend is transformational spend incurred in order to implement major change programmes. Business transformation is an overarching programme to transform the business, driving Post Office toward commercial sustainability through technological innovation. Network programmes is a multi-year initiative designed to simplify the retailer proposition, with key areas of focus being simplification and automation. IT transformation includes programmes to restructure our IT operating model, including the Horizon replacement programme.

6. Directors' emoluments

Executive Directors' remuneration was as follows:

	2024	2023
	£'000	£'000
Directors' salaries	**632**	681
Short-term incentive scheme	**72**	222
Long-term incentive scheme*	**13**	-
Cash in lieu of pension	**49**	61
Benefits	**8**	10
Total remuneration	**774**	974

* The 2021-2024 LTIP is based on salary as at 1 April 2021.

Non-Executive Directors' remuneration was as follows:

	2024	2023
	£'000	£'000
Non-Executive Directors' fees	**407**	341
Total remuneration	**407**	341

Amounts in respect of the highest paid director were as follows:

	2024	2023
	£'000	£'000
Directors' salaries	**436**	436
Short-term incentive scheme	**-**	137
Total remuneration	**436**	573

No Directors were accruing pension entitlements during the period (2023: none).

7. Finance costs

	2024	2023
	£m	£m
Interest payable on loans	**(12)**	(8)
Finance charges	**(14)**	(19)
Bank interest received	**1**	-
Total – net finance costs	**(25)**	(27)

Interest payable on loans relate to the Working Capital Facility and the fixed term loan, see note 15. Finance charges include the unwinding of discount on the OC provision totalling £10 million (2023: £15 million), see note 16.

8. Taxation

(a) Taxation recognised in the year

Current and deferred income tax is credited to the income statement as follows:

	2024 £m	2023 £m
Current income tax:		
Corporation tax credit for year	**(1)**	(1)
Deferred income tax:		
Origination and reversal of timing differences	**(197)**	(4)
Taxation credit	**(198)**	(5)

The current income tax credit recognised in the income statement is £1 million (2023: £1 million). The deferred income tax credit recognised in the income statement is £197 million (2023: £4 million). There was no (2023: £nil) deferred tax recognised in other comprehensive income.

(b) Factors affecting current tax credit on loss

As in 2024, the tax assessed for the year differs from the standard rate of corporation tax in the UK of 25% (2023: 19%). The differences are explained below:

	2024 £m	2023 £m
Loss before taxation	**(612)**	(81)
Total loss before taxation multiplied by the standard rate of corporation tax in the UK of 25% (2023: 19%)	**(153)**	(15)
Research and development tax credit	**(1)**	(1)
Expenses not deductible for tax purposes	**171**	12
Income not taxable	**(7)**	(6)
Movement on unrecognised deferred tax	**(202)**	1
Fixed asset differences	**(6)**	4
Taxation credit	**(198)**	(5)

(c) Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet	
	2024 £m	2023 £m
Tax losses	**114**	4
Fixed asset timings	**82**	-
Temporary provisions	**6**	-
Deferred tax asset	**202**	4

The Group has significant tax losses and allowances which are available indefinitely for offsetting against future taxable profits. As at the balance sheet date a deferred tax asset of £199 million (2023: £nil) has been recognised in Post Office Limited and £3 million (2023: £4 million) has been recognised in Post Office Management Services Limited, in relation to these tax losses and allowances. There was no (2023: £nil) deferred tax recognised in other comprehensive income.

Under IAS 12, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date, hence 25% has been used. Based on the latest forecast taxable profit projections (as a result of the requirement to include Horizon related redress funding settlements as trading income) a deferred tax asset has been recognised in these accounts. However, there remains an unrecognised deferred tax asset of £168 million, resulting from gross temporary differences of £672 million, which are not expected to be offset against taxable profits in the forecast period.

(d) Factors that may affect future tax charges

The Group has deferred tax assets of £202 million (2023: £nil). However, there remains an unrecognised net deferred tax asset of £168 million, resulting from gross temporary differences of £413 million, and tax losses of £259 million, which are not expected to be offset against taxable profits in the forecast period.

The Group has rolled over capital gains of £2 million (2023: £2 million); no tax liability would be expected to crystallise should the assets into which the gains have been rolled be sold at their residual value, as it is anticipated that a capital loss would arise.

OECD Pillar Two legislation was enacted in the UK on 11 July 2023. The Group will be within the scope of Pillar Two for the financial year ending 30 March 2025. Work remains ongoing to ascertain whether the Group will be subject to additional Pillar Two taxes.

There is no current tax impact on the Group as Pillar Two legislation was not effective for the year ended 31 March 2024. The Group has applied the IAS 12 exception and has not recognised or disclosed deferred tax assets and liabilities related to OECD Pillar Two income taxes in these financial statements.

9. Intangible assets

	Software	Goodwill	Other intangibles	Total
	£m	£m	£m	£m
Cost				
At 28 March 2022	556	52	7	615
Reclassification*	1	-	-	1
Additions	52	-	-	52
Disposals	(34)	-	-	(34)
At 26 March 2023	**575**	**52**	**7**	**634**
Reclassification*	**(5)**	**-**	**-**	**(5)**
Additions	**61**	**-**	**-**	**61**
At 31 March 2024	**631**	**52**	**7**	**690**
Accumulated amortisation				
At 28 March 2022	411	25	1	437
Amortisation	40	-	3	43
Impairment	143	-	3	146
Disposals	(34)	-	-	(34)
At 26 March 2023	**560**	**25**	**7**	**592**
Reversal of impairments*	**(5)**	**-**	**-**	**(5)**
Amortisation	**6**	**-**	**-**	**6**
Impairment	**59**	**-**	**-**	**59**
At 31 March 2024	**620**	**25**	**7**	**652**
Net book value				
At 31 March 2024	**11**	**27**	**-**	**38**
At 26 March 2023	15	27	-	42

* Reviews of plant and equipment and intangible assets are carried out on a regular basis and reclassifications between categories made as necessary to ensure a more appropriate representation of the nature of the assets.

Included within software in the above table are assets under construction with a net book value of £1 million (2023: £1 million). Other intangibles include merchant relationships and brands.

Additions to software relate to IT transformation projects undertaken during the current year. These include capitalised development costs being an internally generated intangible asset.

Goodwill and intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. The Group identified the need to write down an intangible asset during the year related to software that will no longer be used. As a result, an impairment of £11 million (2023: £31 million) was recognised due to the associated asset no longer having any economic benefit. A further impairment review at the cash generating unit ("CGU") level was performed during the year resulting in an additional impairment of capitalised software costs of £48 million (2023: £115 million). See note 10 for details.

Management determined that no impairment was necessary for the current year in relation to goodwill of £27 million, which is part of the Post Office Management Services Limited CGU (2023: £27 million).

Amortisation rates are disclosed in note 1 to the financial statements.

10. Property, plant and equipment

	Land and buildings						
	Freehold £m	Long leasehold £m	Short leasehold £m	Motor vehicles £m	Plant and machinery £m	Fixtures and equipment £m	Total £m
Cost							
At 28 March 2022	28	38	80	26	3	831	1,006
Reclassification*	-	(1)	-	(1)	-	1	(1)
Additions	-	-	1	1	-	12	14
Right-of-use additions and modifications	-	8	8	3	7	-	26
Disposals	(1)	-	-	-	-	(22)	(23)
Right-of-use disposals	-	(5)	(2)	(1)	-	-	(8)
At 26 March 2023	**27**	**40**	**87**	**28**	**10**	**822**	**1,014**
Reclassification*	**(1)**	**-**	**1**	**-**	**-**	**-**	**-**
Additions	**1**	**-**	**3**	**-**	**-**	**68**	**72**
Right-of-use additions and modifications	**-**	**-**	**6**	**4**	**4**	**-**	**14**
Right-of-use remeasurement	**-**	**(15)**	**(1)**	**-**	**-**	**-**	**(16)**
Disposals	**(5)**	**(1)**	**(10)**	**-**	**-**	**(5)**	**(21)**
Right-of-use disposals	**-**	**-**	**(12)**	**(2)**	**(1)**	**-**	**(15)**
At 31 March 2024	**22**	**24**	**74**	**30**	**13**	**885**	**1,048**
Accumulated depreciation							
At 28 March 2022	20	11	46	23	2	777	879
Reclassification*	-	(1)	-	(1)	-	2	-
Depreciation	-	1	4	1	-	23	29
Right-of-use asset depreciation	-	2	7	2	1	-	12
Impairment	-	27	30	4	7	41	109
Disposals	(1)	-	-	-	-	(21)	(22)
Right-of-use asset disposals	-	-	-	(1)	-	-	(1)
At 26 March 2023	**19**	**40**	**87**	**28**	**10**	**822**	**1,006**
Depreciation	**1**	**-**	**-**	**-**	**-**	**1**	**2**
Right-of-use depreciation	**-**	**-**	**-**	**1**	**-**	**-**	**1**
Impairment	**-**	**-**	**10**	**3**	**4**	**67**	**84**
Reversal of impairments	**-**	**(15)**	**(1)**	**-**	**-**	**-**	**(16)**
Disposals	**(4)**	**(1)**	**(10)**	**-**	**-**	**(5)**	**(20)**
Right-of-use disposals	**-**	**-**	**(12)**	**(2)**	**(1)**	**-**	**(15)**
At 31 March 2024	**16**	**24**	**74**	**30**	**13**	**885**	**1,042**
Net book value							
At 31 March 2024	**6**	**-**	**-**	**-**	**-**	**-**	**6**
At 26 March 2023	8	-	-	-	-	-	8

* Reviews of plant and equipment and intangible assets are carried out on a regular basis and reclassifications between categories made as necessary to ensure a more appropriate representation of the nature of the assets.

Assets under construction at the balance sheet date have a net book value of £nil (2023: £nil), due to them being impaired as part of the CGU impairment assessment.

The closing net book value of right-of-use assets by asset class, prior to impairment, is presented within note 20.

Depreciation rates are disclosed in note 1 to the financial statements. No depreciation is provided on freehold land, which represents £1 million (2023: £1 million) of the total cost of freehold land and buildings as included in the table above.

CGU Impairment assessment

An impairment test was performed during the year, in accordance with IAS 36. For the purposes of assessing impairment, non-current assets in scope of IAS 36 are grouped at the lowest level for which there are separately identifiable cash flows and tested for impairment by comparing the carrying amount of each cash generating unit ("CGU") with its recoverable amount. The recoverable amount is determined based on the higher of an asset or CGU's value in use and, where supportable, fair value less cost of disposal ("FVLCOD").

Post Office has determined that it has three CGUs: Post Office Limited, Post Office Management Services Limited and Payzone Bill Payments Limited. Post Office Management Services Limited and Payzone Bill Payments Limited are standalone entities with an identifiable asset base and therefore are deemed to be separate CGUs. Post Office Limited runs a national network of branches which provide a distinct retail offering, resulting in a fluid customer base across the network. As such the network as a whole is deemed to be one CGU. See note 1 for further details.

The discounted net cash flows from the value-in-use calculations were used to determine the recoverable amount of the CGUs identified, being Post Office Limited, Post Office Management Services Limited and Payzone Bill Payments Limited. Value in use is determined using the Group's net cash flows from the continued use of the assets within each CGU.

Pre-tax discount rates for Post Office Limited and Payzone Bill Payments Limited of 9.9% (2023: 10.3%) have been used to discount the forecast cash flows. A discount rate for Post Office Management Services Limited of 10% (2023: 10%) has been used to discount the forecasted cash flows.

Post Office Limited CGU

Board approved cash flow projections which cover the period to March 2025 have been used as the basis of the Post Office Limited CGU value-in-use calculation. Cash flows have been extended a further two years to March 2027, based on current observable trends and management expectations, removing any significant one-off items. The terminal value calculation applies no (2023: nil) nominal growth rate, based on management's best estimate, taking into account market and operational experience, of the expected long-term market growth rate.

A key assumption with the Post Office Limited CGU impairment review is that Network Subsidy Payments ("NSP") which are received from Government to contribute to the costs of Post Office making available the network of public post offices that the Secretary of State for DBT considers appropriate, will continue into perpetuity.

The analysis performed indicates the carrying value of the assets of the Post Office Limited CGU exceed the recoverable amount based on the forecast loss-making position, when ignoring future capital expenditure and investment plans, which have been excluded from the value-in-use calculation in accordance with IAS 36.

Consequently, a partial impairment of the CGU has been recognised, incurring an impairment charge of £132 million (2023: £217 million) in the year. This includes £48 million (2023: £110 million) related to intangible assets and £84 million (2023: £107 million) related to property, plant and equipment. The joint venture investment and freehold land and buildings, which are part of the CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD.

Post Office Management Services Limited CGU

No impairment was required in relation to the Post Office Management Services Limited CGU, which shows significant headroom.

Payzone Bill Payments Limited CGU

The assets of the Payzone Bill Payments CGU were immaterial. Depreciation and amortisation charged during the year reduced the remaining net book value of assets to zero, ahead of the transaction to transfer its trade and net assets to Post Office Limited.

Reversal of impairments

During the year, the Group reassessed non-lease components associated with its lease portfolio. This review led to the removal of certain non-lease components deemed to be variable in nature, as it became clear they were contingent on future usage or consumption. As a result, an adjustment of £16 million (2023: £nil) was recorded, impacting both lease liabilities and right of use assets that had previously been fully impaired. This adjustment led to the reversal of the previously recognised impairment, derecognition of the right of use assets and the derecognition of the associated lease liability.

The position of all CGUs will be revisited annually in line with accounting standards.

11. Investments in joint venture

The Group has one joint venture investment with a 50% interest (1,000 £1 ordinary A shares) in First Rate Exchange Services Holdings Limited (“FRESH”). FRESH is the holding company of First Rate Exchange Services Limited (FRES), which is the joint venture operating company. The principal activity of FRES is the supply of foreign currency exchange and FX note wholesaling in the UK to the Post Office and others, which complements the Group’s operations and contributes to achieving the Group’s overall strategy. The principal risks of the Group are disclosed on pages 58 to 61. First Rate Exchange Services Holdings Limited (“FRESH”) is a company registered in the United Kingdom. The registered address of FRESH is Great West House, Great West Road, Brentford, London, TW8 9DF.

The financial year-end date of FRESH is 31 March, aligning with Post Office’s financial year-end date for the 2023/24 year-end.

An impairment assessment was carried out in accordance with IAS 36 in relation to the joint venture investment in FRESH, which forms part of the Post Office Limited CGU. In assessing whether the joint venture investment was impaired, the carrying value of the Post Office Limited CGU, was compared to its value in use, which indicated a partial impairment of the CGU. A separate assessment was then carried out at the individual asset level using the FVLCOD methodology to determine recoverable amount. The FVLCOD assessment resulted in a recoverable amount in excess of the carrying value of the asset. As such, no impairment (2023: £nil) was recognised in respect of the investment in joint venture. See note 10 for further details in respect of the CGU impairment assessment.

	2024 Joint venture £m	2023 Joint venture £m
Share of net assets		
Total net investment at 26 March 2023, 27 March 2022	**75**	49
Share of post-tax profit	**25**	29
Dividend	**(29)**	(3)
Total net investment at 31 March 2024, 26 March 2023	**71**	75

Assets and liabilities:	**2024 Joint venture £m**	2023 Joint venture £m
Receivables	**425**	468
Cash and cash equivalents	**47**	46
Non-current assets	**7**	7
Gross assets	**479**	521
Current liabilities	**(338)**	(371)
Net assets	**141**	150
Revenue and profit:		
Revenue	**164**	166
Profit after tax	**50**	58

12. Trade and other receivables

	2024 **£m**	2023 £m
Current:		
Trade receivables	**92**	81
Accrued income	**65**	65
Prepayments	**21**	20
Client receivables	**161**	108
Other receivables	**118**	16
Total	**457**	290
Non-current:		
Accrued income	**4**	4
Other assets	**8**	6
Total	**12**	10

The Group receives and disburses cash on behalf of Government agencies and other clients to customers through its branch network. Amounts owed from and to Government agencies and other clients are disclosed separately as client receivables (as above) and client payables (see note 14).

Other receivables include £96 million (2023: £1 million) of funding from DBT, with £40 million (2023: £nil) in relation to funding for the Horizon replacement programme and £56 million (2023: £1 million) in relation to Remediation Matters, split between running costs of £42 million (2023: £nil) and £14 million (2023: £1 million) related to funding for settlements across the various schemes.

Non-current other assets constitute costs incurred to fulfil contracts under IFRS 15.

The Group applies IFRS 9 when measuring expected credit losses. The Group has assessed all relevant assets and concluded that expected credit losses are not material in both the current and prior year, with the exception of trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses. The loss allowance for the current and prior year has been determined as follows:

31 March 2024	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	50%	94%	28%
Gross carrying amount - £m	87	2	2	36	127
Loss allowance - £m	**-**	**-**	**1**	**34**	**35**

26 March 2023	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	94%	
Gross carrying amount - £m	73	2	4	31	110
Loss allowance - £m	-	-	-	**29**	**29**

There is a loss allowance in the current and more than 30 days ageing categories, however it is immaterial for disclosure.

The closing loss allowance for trade receivables as at 31 March 2024 reconciles to the opening loss allowance as follows:

	2024 £m	2023 £m
Opening loss allowance	**29**	21
Increase in loss allowance	**11**	8
Utilisation	**(5)**	-
Closing loss allowance	**35**	29

The fair value of trade and other receivables is not materially different from the carrying value.

13. Cash and cash equivalents

	2024 £m	2023 £m
Cash in the Post Office Limited network	**572**	522
Short-term bank deposits	**33**	24
Fiduciary cash balances held on behalf of third parties	**12**	4
Total cash and cash equivalents	**617**	550

Cash in the Post Office Limited network represents the notes and coins in circulation in branches and cash centres. Refer to note 22 for further detail.

Where interest is earned, it is at a floating or short-term fixed rate. The fair value of cash and cash equivalents is not materially different from the carrying value.

The fiduciary cash balances are held within Post Office Management Services Limited and Payzone Bill Payments Limited in trust, on behalf of third parties and cannot be called upon should either company become insolvent.

14. Trade and other payables

	2024 £m	2023 £m
Current:		
Trade payables	**64**	67
Accruals	**136**	132
Deferred income	**34**	43
Social security	**8**	6
Client payables	**424**	502
Lease liabilities	**15**	10
Capital accruals	**7**	8
Other payables	**1**	2
Total	**689**	770
Non-current:		
Lease liabilities	**32**	48
Total	**32**	48

The fair value of trade and other payables is not materially different from the carrying value. Trade payables are unsecured and usually paid within 30 days of recognition.

15. Financial liabilities – interest bearing loans and borrowings

	2024 £m	2023 £m
Current:		
Department for Business, Energy and Industrial Strategy - facility	**741**	431
Department for Business, Energy and Industrial Strategy – fixed term loan	**5**	7
Total	**746**	438
Non-current:		
Department for Business, Energy and Industrial Strategy – fixed term loan	**40**	45
Other borrowings	**1**	-
Total	**41**	45

Department for Business and Trade - facility

The loan under the facility is short-dated on a programme of liquidity management and matures within one day of drawdown (2023: one day). The fair value of borrowings approximates their carrying value due to the short-term maturities of the loan. On maturity it is expected that further loans will be drawn down under this facility. At 31 March 2024 the Group had an unused Working Capital Facility of £209 million (2023: £519 million). In addition, the Group has a further £50 million (2023: £50 million) facility available from DBT to provide same-day liquidity. This facility was undrawn at the year-end. The average interest rate on the drawn down loans is 1.320% (2023: 1.348%). Following an amendment as agreed with DBT after the financial year-end, both the £950 million Working Capital Facility and the £50 million facility have been extended to 31 March 2028.

The facility is currently restricted to funding the cash and near cash items held within the Post Office Limited network.

The facility (including drawn-down loans) is secured by a floating charge over all assets of Post Office Limited (excluding shares in FRESH and lease of any property which Post Office Limited is a tenant) and a negative pledge over cash and near cash items. The negative pledge is an agreement not to grant security over the assets or to set up a vehicle that has the same effect.

Department for Business and Trade – fixed-term loan

On 1 April 2021 Post Office Limited received a £52 million loan. Quarterly principal repayments of £1.75 million commenced in June 2023 and the balance on 31 March 2024 was £45 million, with a bullet payment of £25.75 million due in March 2027. Interest on the loan is charged at the Central Bank rate plus 0.55% per annum.

16. Provisions

	HSS	OC	SRR	PPR	NP*	Property	Branch losses**	IR35	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 26 March 2023	127	244	64	-	9	18	6	-	10	478
Charged to investment spend	-	-	-	-	-	1	-	-	7	8
Charged to exceptional items	781	-	-	18	-	-	-	72	-	871
Charged to trading	-	-	-	-	-	-	13	-	7	20
Utilisation	(58)	(26)	(6)	-	(2)	(3)	-	-	(6)	(101)
Provisions released in the year - investment spend	-	-	-	-	-	(2)	-	-	-	(2)
Provisions released in the year - exceptional	-	(101)	(30)	-	-	-	-	-	-	(131)
Provisions released in the year - trading	-	-	-	-	-	-	-	-	(4)	(4)
Unwinding of discount	-	10	-	-	-	-	-	-	-	10
Impact of discounting	(36)	(6)	-	-	-	-	-	-	-	(42)
At 31 March 2024	**814**	**121**	**28**	**18**	**7**	**14**	**19**	**72**	**14**	**1,107**

	HSS	OC	SRR	PPR	NP*	Property	Branch losses	IR35	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2024										
Current	**352**	**32**	**10**	**2**	**7**	**9**	**19**	**-**	**10**	**441**
Non – current	**462**	**89**	**18**	**16**	**-**	**5**	**-**	**72**	**4**	**666**
	814	**121**	**28**	**18**	**7**	**14**	**19**	**72**	**14**	**1,107**
At 26 March 2023										
Current	57	62	19	-	4	8	6	-	9	165
Non – current	70	182	45	-	5	10	-	-	1	313
	127	244	64	-	9	18	6	-	10	478

*Network Programmes (NP).

**Changes in this metric are due to our renewed approach to making provision for losses.

Remediation Matters related provisions of £981 million (2023: £435 million) includes; £814 million (2023: £127 million) related to the HSS provision which is management's best estimate of future payments to be made to the scheme's claimants, £121 million (2023: £244 million) related to the OC provision which is management's best estimate of future payments to be made to claimants who have had convictions overturned through appeals along with any individuals who were not postmasters and were prosecuted but not convicted, £28 million (2023: £64 million) related to the SRR provision which is management's best estimate of future payments to be made to both current and former postmasters who did not receive remuneration during periods of suspension and £18 million (2023: £nil) related to the PPR provision which is management's best estimate of future payments to be made to both current and former postmasters in relation to operational issues which impacted postmasters. The HSS and OC provisions are subject to significant management estimation, see the critical accounting estimates section in note 1 for further details. Further details regarding SRR and PPR are included in the other areas of judgement and accounting estimates section in note 1.

The Network Programmes provision relates to payments due to postmasters in relation to the multi-year major transformation programme. Provisions are recognised when postmasters either agree to terminate their existing contracts, or sign the new format contracts, or when there is a legal or constructive obligation under Network Transformation and Post Office expects a payment to be made.

Property provisions relate to vacant and onerous contracts, and dilapidations. Vacant and onerous contract provisions are recognised on leasehold properties when the unavoidable costs of meeting the obligations of the contract exceed the benefits expected to be received under it. In accordance with IFRS 16, this only includes business rates and dilapidations costs.

The branch losses provision of £19 million (2023: £6 million) is management's best estimate of unidentified losses across the branch network, as is common business practice for any retailer. The increase from 2023 is due to a renewed approach to the provision for network losses. The provision is subject to estimation uncertainty, see the other areas of judgement and accounting estimates section in note 1 for further details.

A provision of £72 million (2023: £nil) has been recognised for additional tax and penalties the Group may incur as a result of potential historical inaccuracies associated with employment legislation (IR35). This provision is subject to significant estimation uncertainty, see the critical accounting estimates section in note 1 for further details.

Other provisions of £14 million (2023: £10 million) includes; £2 million (2023: £3 million) for specific stamp stock losses, £4 million (2023: £1 million) for severance costs, £4 million (2023: £3 million) for other network provisions and £4 million (2023: £3 million) which sits within the subsidiary Post Office Management Services Limited and relates to the repayment of commission received in the event of the cancellation of insurance policies.

17. Financial assets and liabilities

a. Financial assets and liabilities by category

The breakdown of the Group's financial instruments at 31 March 2024 and 26 March 2023 is shown below:

	2024			2023		
	Current £m	**Non - current £m**	**Total £m**	Current £m	Non - current £m	Total £m
Financial assets						
Trade and other receivables*	**371**	**-**	**371**	**205**	**-**	**205**
Cash and cash equivalents	**617**	**-**	**617**	**550**	**-**	**550**
Financial liabilities						
Trade and other payables*	**(647)**	(32)	**(679)**	**(721)**	**(48)**	**(769)**
Interest bearing loans	**(746)**	**(41)**	**(787)**	**(438)**	**(45)**	**(483)**
Net financial liabilities	**(405)**	**(73)**	**(478)**	**(404)**	**(93)**	**(497)**

*Excluding non-financial assets and liabilities.

With the exception of cash, all of the Group's financial assets and liabilities are carried at amortised cost.

The fair value of the Group's financial assets and liabilities approximate their carrying value due to the short-term maturities of these instruments. The fair value of financial assets and liabilities is defined as the amount which the

Group would expect to receive upon selling an asset or pay to transfer a liability in a transaction between market participants at the measurement date.

All of the Group's financial assets and liabilities are considered to be Level 2 in the fair value hierarchy. The nature of the inputs used in determining the values of the financial assets and liabilities is those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Group has no Level 1 and Level 3 financial instruments and there have been no transfers between the levels of fair value hierarchy during the period.

b. Financial risk management objectives and policies

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and aims to minimise potential adverse effects on the Group's financial performance.

Interest rate risk

The Group is exposed to changes in interest rate on floating rate debt, cash deposits, current account balances, and commission income. Interest rate risk on borrowings is managed through determining the right balance of fixed and floating debt within the financing structure. The Group has a fixed rate of borrowing on the DBT £950 million Working Capital Facility for short-term advances In December 2024 Government agreed to renew both the £950 million Working Capital Facility and the £50 million Same Day Facility, extending both facilities to 31 March 2028.

Foreign currency risk

The Group is exposed to foreign currency risk resulting from balances held to operate foreign currency exchange services.

The currencies in which these transactions are primarily denominated are US Dollar and Euros. The Group's foreign currency risk management objective is to minimise the impact on the income statement of fluctuations in the exchange rates. The Group hedges its foreign currency risk principally through external forward foreign currency contracts to cover near-term future revenues with a number of providers including First Rate Exchange Services Holdings Limited.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar and Euro exchange rates, assuming they are unhedged and with all other variables held constant, on profit before tax and equity.

	Strengthening / (weakening) % Increase / (Decrease)	Effect on profit £m Increase / (Decrease)	Effect on equity £m Increase / (Decrease)	Strengthening / (weakening) in euro rate % Increase / (Decrease)	Effect on profit before tax £m Increase / (Decrease)	Effect on equity £m Increase / (Decrease)
2024	**10**	**1**	**1**	**10**	**1**	**1**
	(10)	**(1)**	**(1)**	**(10)**	**(1)**	**(1)**
2023	10	1	1	10	1	1
	(10)	(1)	(1)	(10)	(1)	(1)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial credit risk arises from cash balances (including bank deposits and cash and cash equivalents) held by the Group, and business credit risk arises from exposures to customers. Business risk includes commission receivable and client related settlements for amounts paid out of the Post Office network on its behalf.

The Group aims to minimise its financial credit risk through the application of risk management policies approved by the Board. Counterparties are limited to major banks and financial institutions. The policy restricts the exposure to any one counterparty by setting appropriate credit limits. The maximum exposure to credit risk is limited to the carrying value of each class of asset summarised in note 12.

Business credit risk is monitored centrally. The level of bad debt provision is 4% (2023: 3%) of revenue.

Capital management

The Group's objectives when managing capital (defined as the net of borrowings and cash and cash equivalents excluding cash in the Post Office network) are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure in order to support the business and maximise stakeholder value. In managing the Group's capital levels the Board and the SEG regularly monitor the level of debt in the Group, the working capital requirements and the forecast cash flows. The Board and SEG plan accordingly following this review process in order to meet the Group's capital management objectives.

Liquidity risk

The Group's primary objective is to ensure that the Group has sufficient funds available to meet its financial obligations as they fall due. This is achieved by aligning short-term investments and borrowing facilities with forecast cash flows. Typical short-term investments include short-term bank deposits with approved counterparties. Borrowing facilities are regularly reviewed to ensure continuity of funding.

The Group has adequate access to liquidity to meet operating requirements for at least the next 12 months from the date of approval of these financial statements, with the assumption of continued Government support and funding. See the going concern disclosures in note 1 for more detail.

As at 31 March 2024 the Group had an unused Working Capital Facility with DBT of £209 million (2023: £519 million). In December 2024 Government agreed to renew both the £950 million Working Capital Facility and the £50 million Same Day Facility, extending both facilities to 31 March 2028. In addition to the security interest provided to DBT in connection with the £950 million Working Capital Facility (note 15), Post Office Limited has also created a first floating charge over its assets as security for the payment and discharge of certain liabilities arising in the normal course of its client-related activity. As at the balance sheet date the outstanding liabilities amounted to £21 million (2023: £25 million).

The tables below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, where applicable. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2024	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets				
Trade and other receivables*	**371**	**-**	**-**	**371**
Cash and cash equivalents	**617**	**-**	**-**	**617**
Financial liabilities				
Trade and other payables*	**(647)**	**(28)**	**(11)**	**(686)**
Interest-bearing loans	**(746)**	**(45)**	**-**	**(791)**
Net financial liabilities	**(405)**	**(73)**	**(11)**	**(489)**

At 26 March 2023	Less than 1 year £m	Between 1-5 years £m	Over 5 years £m	Total £m
Financial Assets				
Trade and other receivables*	205	-	-	205
Cash and cash equivalents	550	-	-	550
Financial Liabilities				
Trade and other payables*	(721)	(28)	(254)	(1,003)
Interest-bearing loan	(438)	(47)	-	(485)
Total financial liabilities	(404)	(75)	(254)	(733)

* Excluding non-financial assets and liabilities.

18. Retirement benefit surplus

Disclosures in this note reflect the following pension schemes in which Post Office participates:

Name	*Eligibility*	*Type*
Post Office Pension Plan ("POPP")	UK employees	Defined contribution
Royal Mail Pension Plan ("RMPP")*	UK employees	Defined benefit
Royal Mail Senior Executives Pension Plan ("RMSEPP")**	UK Senior Executives	Defined benefit

* The RMPP closed to future accrual on 31 March 2017.

** Bought out in June 2022.

Defined Contribution

The charge in the income statement for the defined contribution scheme ("POPP") was £15 million (2023: £13 million) and the Group contributions to this scheme were £15 million (2023: £13 million) during the year.

Defined Benefit

During the year, Post Office participated in one defined benefit pension scheme, being the Post Office section of the Royal Mail Pension Plan ("RMPP") which is independent from the Royal Mail section of the RMPP.

Royal Mail Pension Plan

A series of changes to RMPP have taken effect since July 2017 including the following:

- On 21 March 2017 Post Office executed a Memorandum of Understanding with the Trustee of the RMPP. This clarified the Trustee's powers to distribute surplus without Post Office's agreement and Post Office concluded that it no longer had an unconditional right to refund from the Plan. In light of this, in accordance with IFRIC 14, the RMPP pension surplus was derecognised as at 26 March 2017;
- On 20 July 2017, the Trustee of the RMPP entered into two bulk annuity contracts with Rothesay Life Plc. These contracts are assets of the Post Office Section of the RMPP that provide incomes closely matching the benefit payments from the Plan. The largest of the two contracts is in respect of crystallised benefits and benefits accrued after 31 March 2012. The smaller of the two contracts is in respect of pre-April 2012 for members in Post Office employment at the time of the bulk annuity purchase. The bulk annuities cover the vast majority of the Plan benefits, although uninsured liabilities and costs may arise in relation to increases to the pre-April 2012 benefits arising as a result of certain salary increases in excess of RPI inflation, deflation risk in relation to Section C members (while they remain in Post Office employment, the pre-April 2008 gross benefit revalues with RPI on a year-by- year basis, but revaluation of the deductible is based on cumulative RPI inflation to the date of leaving service), and operational expenses; and
- In January 2020 the Trustee of the Plan wrote to members to inform them that it intends to convert the larger of the two policies into individual policies outside of the Plan. This means that each member of the Plan will hold a policy in their own name and the benefits under those policies will no longer be liabilities of the Plan. The Trustee is continuing to work with Rothesay Life to implement the transfer to individual policies. To facilitate the transfer into individual annuity policies the Trustee is continuing to implement a data cleanse exercise, which will result in some adjustments to individual member benefits. To the extent that the adjustments are known, they have been reflected in the defined benefit obligation shown in these financial statements.

The RMPP is funded by the payment of contributions to separate Trust administered funds. It should be noted that the assumptions used for these pension disclosures are not the same as the assumptions used for funding the plans.

The latest full actuarial funding valuation of the RMPP was carried out as at 31 March 2021 but based on membership data as at 31 March 2023. Assumptions have been rolled forward with the actuarial surplus estimated at £33 million surplus on a Technical Provisions basis as at 31 March 2021.

RMPP includes sections A, B and C each with different terms and conditions:

- Section A is for members (or beneficiaries of members) who joined before 1 December 1971.
- Section B is for members (or beneficiaries of members) who joined after 1 December 1971 and before 1 April 1987 or to Section A members who chose to receive Section B benefits.
- Section C is for members (or beneficiaries of members) who joined after 1 April 1987 and before 1 April 2008.

The weighted average duration of the Post Office section of the RMPP is around 18 years.

The two bulk annuity policies with Rothesay Life provide an income to the Post Office section of the RMPP that matches the vast majority of the required benefit payments; as shown in the following disclosures, the estimated value of those policies (on the IAS 19 assumptions as at 31 March 2024) is £193 million (2023: £196 million), compared to the RMPP defined benefit obligation of £199 million (2023: £202 million). The £6 million (2023: £6 million) difference in these figures is due to small differences between the insured benefits and the actual benefit obligation.

Royal Mail Senior Executives Pension Plan

From April 2012 to the date of buy-out in June 2022, Post Office participated in the Royal Mail Senior Executives Pension Plan (“RMSEPP”). Royal Mail Group Ltd was the principal employer of RMSEPP and Post Office Limited was a participating employer with a 7% interest.

In June 2022, the buy-out of the RMSEPP scheme was completed. The bulk annuity policies held were exchanged for individual policies between insurers and all remaining members. Post Office’s obligations under RMSEPP were fully extinguished and the scheme was wound up in April 2024. The Group’s share of residual assets, being 7% of the total, were returned in April 2024 after the remaining closure expenses were settled and the deduction of withholding tax.

Virgin Media Case

In June 2023, the UK High Court in Virgin Media Limited vs NTL Pension Trustees II Limited ruled that specific historical amendments to contracted-out defined benefit schemes in the period from 6 April 1997 to 5 April 2016 were invalid if they lacked confirmation under section 37 of the Pensions Schemes Act 1993 from the scheme’s actuary. This decision was upheld on appeal in July 2024.

The trustees are currently considering the judgement of the Virgin Media Case and the likelihood of it impacting the scheme. At the date of approval of these financial statements, this review remains ongoing. Given the nature of the review, it is not currently possible to assess with any certainty whether there could be a potential financial impact arising and, if there was to be a financial impact, what that impact would amount to. Therefore, no judgmental provision has been made in the financial year to 31 March 2024.

The following disclosures relate to the losses/gains and deficit/surplus in respect of Post Office's obligations to RMPP and where still appropriate, RMSEPP:

a) Major long-term assumptions

The size of the defined benefit obligation shown in the financial statements is materially sensitive to the assumptions adopted. Small changes in these assumptions could have a significant impact on this value. However, the majority of any change in the defined benefit obligation due to changes in assumptions, will be matched by a corresponding change in the value in the bulk annuity policies (described above).

No assumptions have been derived for RMSEPP as at 31 March 2024 given that the scheme was fully bought out in the year and the obligations under RMSEPP fully extinguished.

The major long-term assumptions used in the valuation of RMPP are as follows:

	At 31 March 2024 % pa	At 26 March 2023 % pa
Increases to benefits that retain a link to pensionable pay	**3.3**	3.3
Rate of pension increases – RMPP sections A/B	**3.1**	3.0
Rate of pension increases – RMPP section C	**3.3**	3.3
Rate of increase for deferred pensions	**3.1**	3.0
Discount rate	**4.9**	4.7
Inflation assumption (RPI)	**3.4**	3.3
Inflation assumption (CPI)	**3.1**	3.0

The following table shows the potential impact on the value of Post Office's defined benefit obligation in respect of RMPP. As noted above, the bulk annuities held by the arrangement provide an income that matches the vast majority of the RMPP benefit payments. Therefore, the following changes in the defined benefit obligation would be largely offset by a corresponding change in the asset values.

	At 31 March 2024 £m	At 26 March 2023 £m
Changes in RPI and CPI inflation of +0.1% pa	**3**	4
Changes in discount rate of +0.1% pa	**(3)**	(4)
Changes in CPI assumptions of +0.1% pa	**2**	2
An additional one-year life expectancy	**7**	8

The sensitivity analysis has been prepared using projected benefit cash flows as at the latest full actuarial valuation of the plan. The same method was applied as at the previous reporting date. The accuracy of this method is limited by the extent to which the profiles of the plan cash flows have changed since those valuations although any change is not expected to be material in the context of the above sensitivity analysis.

Mortality: The mortality assumptions used to calculate the value of Post Office's defined benefit obligation in respect of RMPP are based on the latest self-administered pension scheme (SAPS "S3" series) mortality tables as shown in the following table:

Base mortality tables	**2024**	2023
Male members	**96% x S3NMA**	100% x S2PMA
Male dependants	**109% x S3DMA**	100% x S2PMA
Female members	**113% x S3PFA**	100% x S2PFA
Female dependants	**103% x S3DFA**	100% x S2DFA
Future improvements	**CMI 2022 Core Projections model with a 1.5% pa long-term trend**	CMI 2021 Core Projections with a 1.5% pa long-term trend

Average expected life expectancy from age 65	**2024**	2023
For a current 60 year old male RMPP member	**25 years**	27 years
For a current 60 year old female RMPP member	**27 years**	29 years
For a current 45 year old male RMPP member	**27 years**	29 years
For a current 45 year old female RMPP member	**28 years**	31 years

b) Plans' assets

The assets in the plans for the Group were:

Sectionalised RMPP	**Market value 2024 £m**	Market value 2023 £m
Equities	**10**	10
Private equity	**-**	1
Cash and cash equivalents	**29**	28
Bond/index-linked funds	**13**	13
Other loan/debt funds	**-**	7
Alternative asset funds	**10**	4
Bulk annuity policies*	**193**	196
Fair value of RMPP assets	**255**	259
Present value of RMPP liabilities	**(198)**	(202)
Surplus in plan before asset ceiling adjustment	**57**	57
Less effect of asset ceiling	**(57)**	(57)
Surplus in plan after asset ceiling adjustment	**-**	-

* As described above, the Post Office section of the RMPP holds two bulk annuity policies with Rothesay Life Plc. The value ascribed to the policies has been calculated using the same assumptions as used to calculate the present value of the defined benefit obligation.

7% Share of RMSEPP	**Market value 2024 £m**	Market value 2023 £m
Cash and cash equivalents	**1**	1
Bulk annuity policy*	**-**	-
Fair value of share in plan assets for RMSEPP	**1**	1
Present value of share in plan liabilities for RMSEPP	**-**	-
Surplus in plan for the share of RMSEPP before tax	**1**	1
Tax effect	**-**	-
Surplus in plan for share of RMSEPP after tax	**1**	1

* RMSEPP held a bulk annuity policy with Scottish Widows up until the buy-out of the scheme in June 2022, where the bulk annuity policy was exchanged for individual policies between insurers and all remaining members.

As described above, no surplus is recognised for RMPP because the Group no longer has an unconditional right to refund from the Plan. A retirement benefit surplus of £1 million (2023: £1 million) is disclosed on the balance sheet, representing the surplus in the RMSEPP only. The Group's share of residual assets in the RMSEPP, being 7% of the total, were returned in April 2024 after the remaining closure expenses were settled and the deduction of withholding tax.

There is no element of the above present value of liabilities that arises from plans that are wholly unfunded. Bond/index-linked funds are securities with a quoted price in an active market.

c) Movement in plans' assets and liabilities

Changes in the fair value of the plans' assets are analysed as follows:

RMPP Assets	**Sectionalised RMPP 2024 £m**	Sectionalised RMPP 2023 £m
Assets in recognised RMPP at beginning of period	**259**	383
Finance income	**9**	9
Actuarial losses	**(4)**	(126)
Benefits paid to members	**(6)**	(6)
Administrative expenses	**(3)**	(1)
Assets in recognised RMPP at end of period	**255**	259

RMSEPP Assets	**Share of RMSEPP 2024 £m**	Share of RMSEPP 2023 £m
Share of assets in RMSEPP at beginning of period	**1**	29
Actuarial losses	**-**	(6)
Benefits paid to members	**-**	(1)
Settlements	**-**	(21)
Share of assets in RMSEPP at end of period	**1**	1

Changes in the present value of the defined benefit pension obligations are analysed as follows:

RMPP Liabilities	**Sectionalised RMPP 2024 £m**	Sectionalised RMPP 2023 £m
Liabilities in recognised RMPP at beginning of period	**(202)**	(320)
Finance cost	**(9)**	(9)
Experience adjustments on liabilities	**(10)**	(16)
Financial assumption changes	**5**	122
Demographic assumption changes	**12**	15
Benefits paid	**6**	6
Liabilities in recognised RMPP at end of period	**(198)**	(202)

RMSEPP Liabilities	Share of RMSEPP 2024 £m	Share of RMSEPP 2023 £m
Share of liabilities in RMSEPP plans at beginning of period	-	(28)
Financial assumption changes	-	6
Benefits paid	-	1
Settlements	-	21
Share of liabilities in RMSEPP at end of period	-	-

d) Recognised charges

An analysis of the separate components of the amounts recognised in the performance statements of the Group is as follows:

RMPP	Sectionalised RMPP 2024 £m	Sectionalised RMPP 2023 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged to investments:		
Administration expenses incurred	3	1
Total charge to operating profit	3	1
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	9	9
Interest income on plan assets	(9)	(9)
Net pensions credit to financing	-	-
Net charge to the income statement	3	1
Analysis of amounts recognised in the statement of comprehensive income		
Actual gain/(loss) on plan assets	6	(117)
Less expected interest income on plan assets	(10)	(9)
Actuarial losses on assets (all experience adjustments)	(4)	(126)
Actuarial gains arising from changes in demographic assumptions	12	15
Actuarial gains arising from changes in financial assumptions	5	122
Actuarial losses arising from experience adjustments	(10)	(16)
Actuarial gains on liabilities	7	121
Effect of the asset ceiling	-	6
Total actuarial gains recognised in the statement of comprehensive income	3	1

e) Recognised charges (continued)

RMSEPP	Share of RMSEPP 2024 £m	Share of RMSEPP 2023 £m
Analysis of amounts recognised in the statement of comprehensive income		
Actual return on plan assets	-	(6)
Actuarial losses on assets (all experience adjustments)	-	(6)
Actuarial gains arising from changes in financial assumptions	-	6
Actuarial gains on liabilities	-	6
Total actuarial losses recognised in the statement of comprehensive income after tax effect	-	-

19. Equity

Share capital

	2024 £	2023 £
Authorised		
Ordinary shares of £1 each	**51,000**	51,000
Total	**51,000**	51,000
Allotted and issued and fully paid		
Ordinary shares of £1 each	**50,005**	50,005
Total	**50,005**	50,005

Share premium

There was no share issue in 2023/24 (2023: nil).

Other reserves

Other reserves of £2 million (2023: £2 million) relates to First Rate Exchange Services Holdings Limited, the joint venture entity.

20. Commitments, contingent liabilities and contingent assets

Capital commitments contracted for but not yet provided in the financial statements amount to £30 million (2023: £13 million).

Leases

Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	2024 £m	2023 £m
Short leasehold buildings	**19**	23
Long leasehold buildings	**-**	16
Plant & machinery	**9**	8
Motor vehicles	**4**	2
Impairment (see note 10)	**(32)**	(49)
Total	**-**	-

Right-of-use assets in the table above are recognised within property, plant and equipment in the balance sheet and included in the relevant asset class in the property, plant & equipment note (see note 10).

Additions to right-of-use assets during the 2023/24 financial year, before impairment, totalled £14 million (2023: £26 million) and disposals were £15 million (2023: £1 million).

Lease liabilities	2024 £m	2023 £m
Current	**15**	10
Non-current	**32**	48
Total	**47**	58

Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2024 £m	2023 £m
Short leasehold buildings	**-**	7
Long leasehold buildings	**-**	2
Motor vehicles	**1**	2
Plant and machinery	**-**	1
Total	**1**	12
Interest expense (included in finance cost)	**3**	2

The total cash outflow for leases in 2023/24 was £12 million (2023: £15 million).

Income from sub-leased right-of-use assets was £2 million (2023: £2 million) in the year and has been recognised as a credit to costs.

Contingent liabilities

Capture

In January 2024, reports suggested that postmasters had been prosecuted or pursued in civil claims by Post Office based on data generated by a software system called "Capture" which was used by some postmasters before Horizon was implemented. Post Office launched an internal investigation on Capture, which was followed by a DBT sponsored independent investigation which determined that there is a reasonable likelihood that Capture incorrectly created shortfalls for postmasters. The report highlights that Post Office may not have considered known issues with Capture caused by bugs in the software when considering the civil claims and prosecutions against the affected postmasters.

This creates the risk of a possible outflow to settle any liability which may arise to postmasters who suffered financial loss as a result of their use of Capture between 1992 and 2000. The existence of a liability will only be known once further analysis and decisions have been made. The scope of any potential liability is unknown and currently unquantifiable as there is limited data available from the period under consideration.

Other Remediation Matters

As progress continues to be made on Remediation Matters and the POHIT Inquiry nears a conclusion, it is possible that additional liabilities may arise which are related to these matters. It is feasible that liabilities could arise which fall outside the scope of the current schemes, and therefore associated provisions, and as such further liabilities may require recognition in the future. This contingent liability is included despite the lack of knowledge of any such liabilities as it is likely that should liabilities arise they would be as a result of past events.

Contingent assets

Government funding

At the balance sheet date, the following Government funding arrangements are in place in respect of settlements associated with Remediation Matters:

- OC – funding of up to £780 million (2023: £780 million) of which £48 million has been utilised.
- HSS – funding of up to £233 million (2023: £233 million) of which £41 million has been utilised.
- SRR – funding of up to £116 million (2023: £116 million) of which £6 million has been utilised.
- PPR – funding of up to £81 million (2023: £nil) of which £nil has been utilised.

The above contingent assets have not been recognised as receivables due to the current significant estimation uncertainty associated with settlement cashflows. The Group will recognise an asset only when the quantum for each specific claim settlement becomes virtually certain, being the point at which an offer is accepted. Further funding arrangements have been put in place after the balance sheet date which would increase the contingent asset values, see the Going Concern disclosures on pages 87 to 91 and the Post Balance Sheet events note on page 141.

21. Related party disclosures

Joint venture

The following Company is a joint venture of the Group:

Company	Country of incorporation	% Holding	Principal activities
First Rate Exchange Services Holdings Limited	United Kingdom	50	Foreign currency exchange

All shareholdings are equity shares. Summarised financial information for the joint venture is included in note 11.

Related party transactions

During the year the Group entered into transactions with the following related parties. The transactions were in the ordinary course of business. The transactions entered into and the balances outstanding at the financial year-end were as follows:

	Sales / recharges to related party		Purchases / recharges from related party		Amounts owed from related party including outstanding loans		Amounts owed to related party including outstanding loans	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
First Rate Exchange Services Holdings Limited	**41**	38	**106**	108	**4**	3	**6**	6

The sales to and purchases from related parties are made at normal market prices. Balances outstanding at the year-end are unsecured and interest-free and settlement is made by cash. First Rate Exchange Services Holdings Limited is a joint venture of the Group.

The Group trades with numerous Government (UK Government) bodies on an arm's length basis, such as the DWP, the DVLA and the Home Office. The Group takes the exemption available to Government controlled entities not to disclose transactions with other entities controlled by Government, or where Government has significant influence over that entity.

Separately, the Group discloses significant transactions with Government related entities:

- The Group has certain loan facilities of £1,000 million (2023: £1,000 million) with Government (page 121). This is made up of the £950 million (2023: £950 million) Working Capital Facility and the £50 million (2023: £50 million) Same Day Facility.
- The Group has recognised funding for exceptional items from Government of £193 million (2023: £13 million), all of which is recognised through the income statement and shown in note 4;
- The Group has received the Network Subsidy Payment of £50 million (2023: £50 million) from Government (page 98); and
- The Group has received investment funding of £130 million (2023: £75 million) from Government, all of which is recognised through the income statement and shown in note 5.

Key management personnel

Key management personnel comprises the Executive and Non-Executive Directors of the Post Office Limited Board. The remuneration of the key management personnel of the Post Office Group is disclosed in note 6 and in the Remuneration Committee Chair's Statement on pages 42 to 53.

Entities controlled by key management personnel

During the year, the Group entered into transactions with entities controlled by key management personnel:

	2024	2023
	£'000	£'000
Purchases from entities controlled by key management personnel	**1,801**	1,672

The following trading balances are outstanding at the balance sheet date in relation to entities controlled by key management personnel:

	2024	2023
	£'000	£'000
Trade and other receivables	**34**	27
Trade and other payables	**-**	(143)

22. Membership of the Bank of England's Note Circulation Scheme

Post Office Limited is a member of the Bank of England ("BOE") Note Circulation Scheme ("NCS") which governs the custody of BOE notes that are not in issue. The NCS promotes efficiency in the distribution and processing of notes by allowing approved commercial organisations engaged in the wholesale distribution and processing of cash, such as Post Office Limited, to hold notes owned by the BOE.

The continued participation in the NCS ensures that Post Office Limited has an adequate supply of notes to meet customer demand across its network.

The NCS mechanisms that enable Post Office Limited to hold Bank of England owned notes comprise two elements:

Bond Facility Cash ("Bond") – this is cash that is permanently owned by the BOE and is stored in secure vaults at Post Office Limited cash centres, physically separate from other cash. Post Office Limited buys cash from and sells cash to the Bond.

Note Recirculation Facility Cash ("NRF") – this is cash that is held securely, either in Post Office NCS cash centres or in the branch network and that is sold to the BOE at the end of each day with a commitment from Post Office Limited to buy it back the next morning. In order to sell notes in this way to the BOE, Post Office Limited must ensure that gilts are lodged each night as collateral. Post Office Limited's ability to sell notes to the BOE under the NRF is constrained by:

a) The amount of eligible notes available for sale;
b) The collateral available; and
c) An annual limit imposed by the BOE dependent upon the volume of notes sorted and issued from Post Office cash centres.

During 2020/21, BOE relaxed one of its rules over the use of the NRF. The change allows Post Office Limited to over-borrow against the annual limit historically imposed but retains the daily facility limit. The impact is that Post Office Limited can borrow more against NRF and reduce borrowings on the Working Capital Facility. BOE confirmed that at least six months' notice would be given before this amendment is reversed or revised.

In order to support its participation in the NCS, Post Office Limited has bank facilities with NatWest of up to £350 million in place ("Facilities"), comprising:

a) An overnight collateral facility.
b) An intra-day overdraft facility.

The Facilities may be cancelled by the lender with 60 days' notice.

As at 31 March 2024 £240 million (2023: £202 million) of NRF cash was held in this way and has not been recognised in the balance sheet.

23. Alternative performance measures

An alternative performance measure is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Trading profit

Trading profit is one of the Group's key financial measures in the view of the Directors as it shows the underlying performance of the Group. It is calculated by taking operating profit or loss before exceptional items, depreciation, amortisation, impairment, investments and Network Subsidy Payment. The table below summarises the calculation of operating loss before exceptional items, trading profit including Network Subsidy Payment and trading profit.

	2024 £m	2023 £m
Operating loss	**(587)**	(54)
Adjusted for:		
Exceptional items (note 4)	**816**	(135)
Funding for exceptional items (note 4)	**(193)**	(13)
Operating profit/(loss) before exceptional items	**36**	(202)
Depreciation and Amortisation (notes 9 and 10)	**9**	84
Investment funding (note 5)	**(130)**	(75)
Investment spend (notes 5 and 21)	**59**	38
Profit on disposal of property, plant and equipment	**(24)**	-
Impairment of fixed assets – net of reversals (see notes 4 and 9)	**122**	255
Trading profit including Network Subsidy Payment (adjusted EBITDA)	**72**	100
Network Subsidy Payment	**(50)**	(50)
Trading profit (EBITDAS)	**22**	50

Net debt

Net debt is an alternative performance measure disclosed in the financial statements and has been reconciled in note 24.

24. Cash flow information

The consolidated statement of cash flows starts at an alternative performance measure, being operating profit/(loss) (before exceptional items and investments). The table below reconciles profit/(loss) for the financial year to operating profit/(loss) (before exceptional items and investments).

	2024 £m	2023 £m
Loss for the financial year	**(414)**	(76)
Investment spend	**59**	38
Investment funding	**(130)**	(75)
Exceptional items	**816**	(135)
Funding for exceptional items	**(193)**	(13)
Finance costs	**25**	27
Taxation credit	**(198)**	(5)
Operating loss before investment spend and exceptional items	**(35)**	(239)

Net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	27 March 2023 £m	**Financing cash flows £m**	**New leases £m**	**Other non-cash changes £m**	**31 March 2024 £m**
Cash and cash equivalents	**550**	**67**	**-**	**-**	**617**
Borrowings	**(483)**	**(303)**	**-**	**(1)**	**(787)**
Lease liabilities	**(58)**	**12**	**(14)**	**13**	**(47)**

	28 March 2022 £m	Financing cash flows £m	New leases £m	Other non-cash changes £m	26 March 2023 £m
Cash and cash equivalents	367	183	-	-	550
Borrowings	(381)	(102)	-	-	(483)
Lease liabilities	(53)	15	(18)	(2)	(58)

25. Post balance sheet events

The Directors would like to draw attention to the following post balance sheet events:

Payzone Bill Payments Limited – hive-up transaction

During the year, a decision was made to transfer the trade and net assets of Payzone Bill Payments Limited to its parent, Post Office Limited. The transaction completed subsequent to the financial year-end and was carried out at book value, following the establishment of a distributable reserve in 2023/24.

Autumn Budget 2024

On 30 October 2024 the Government announced the results of its Autumn Budget 2024 for the period April 2025 to March 2026. As part of this, the Shareholder has provided confirmation to the Group that, subject to DBT, Ministerial and HMT approval, additional funding will be provided, including:

- Up to an additional £38 million of Network Subsidy Payments in 2024/25, which is in addition to the £50 million already committed as part of the previous 3 year funding agreement. This was received in December 2024.
- £50 million of Network Subsidy Payments for 2025/26, with the Group being given the opportunity to bid for further funding of this nature in 2025/26 should departmental budgets allow it.
- Up to an additional £46 million of investment funding in 2024/25 to be used to enact Post Office's Transformation Plan. This funding will only be provided to the extent the Strategic Review plans are agreed and approval has been granted.
- Funding into future years for continued investment in Post Office's Transformation Plan, subject to necessary approvals.
- £20 million of investment funding for 2025/26.
- Confirmation that costs to run both Remediation Matters and POHIT Inquiry activities are expected to be funded by Government in 2025/26 subject to already established approval processes.
- Interim funding to be provided in 2025/26 to enable work to continue on the Horizon replacement, whilst noting that a multi-year agreement will be required once plans are confirmed.

HSS funding

In June 2024 Government provided confirmation of an additional £106 million in funding to cover Fixed Sum Offers to existing HSS claimants, who had received less than £75,000 in full and final settlement of their claims. In December 2024 further funding commitments were received, including an extension of the existing £233 million funding agreement, taking the end date out to 31 March 2026, and an agreement to fund future HSS claims that may be received, out to 31 March 2026.

SRR funding

In November 2024 Government provided an extension to the SRR funding agreement, committing to provide funding to 31 March 2026.

Working Capital Facility

In December 2024 Government agreed to renew both the £950 million Working Capital Facility and the £50 million Same Day Facility, extending both facilities to 31 March 2028.

Taxation funding

Within the Letter of Support provided by the Shareholder in December 2024, assurances have been given that taxation liabilities that could arise with HMRC in respect of off-payroll working arrangements and corporation tax associated with Remediation Matters, will be funded by Government, subject to subsidy control considerations and any further Government approvals.

26. Ultimate controlling party

The Secretary of State for the Department for Business and Trade ("DBT"), holds a special share in Post Office Limited and the rights attached to that special share are enshrined within Post Office Limited Articles of Association. DBT, through UK Government Investments Limited ("UKGI"), has no day to day involvement in the operations of Post Office Limited or in the management of its branch network and staff. As such, at 31 March 2024, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. Post Office Limited is the ultimate controlling party.

The parent undertaking of the smallest and largest Group to consolidate the results of the Company is Post Office Limited, a company registered in the United Kingdom. Post Office Limited financial statements can be obtained from 100 Wood Street, London, EC2V 7ER.

Post Office Limited

Company Financial Statements 2023/24

Company balance sheet

at 31 March 2024 and 26 March 2023

	Note	2024 £m	2023 £m
Non-current assets			
Intangible assets	4	**-**	-
Property, plant and equipment	5	**6**	8
Investment in subsidiaries	6	**46**	43
Investments in joint venture	7	**71**	75
Retirement benefit surplus	13	**1**	1
Trade and other receivables	8	**4**	4
Deferred tax asset	3	**199**	-
Total non-current assets		**327**	131
Current assets			
Inventories		**1**	-
Trade and other receivables	8	**435**	278
Cash and cash equivalents	9	**577**	524
Total current assets		**1,013**	802
Total assets		**1,340**	933
Current liabilities			
Trade and other payables	10	**(651)**	(743)
Financial liabilities – interest-bearing loans and borrowings	11	**(746)**	(438)
Provisions	12	**(438)**	(162)
Total current liabilities		**(1,835)**	(1,343)
Non-current liabilities			
Other payables	10	**(32)**	(48)
Financial liabilities – interest-bearing loans and borrowings	11	**(41)**	(45)
Provisions	12	**(664)**	(312)
Total non-current liabilities		**(737)**	(405)
Net liabilities		**(1,232)**	(815)
Equity			
Share capital	14	**-**	-
Share premium	14	**590**	590
Accumulated losses		**(1,824)**	(1,407)
Other reserves	14	**2**	2
Total equity		**(1,232)**	(815)

The notes on pages 146 to 158 form an integral part of the financial statements. The result dealt with in the financial statements of the Company amounted to a loss after tax of £420 million (2023: £79 million loss). The financial statements on pages 144 to 158 were approved by the Board of Directors on 17 December 2024 and signed on its behalf by:

N Read Chief Executive Officer

Company statement of changes in equity

for the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Notes	Share Capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 27 March 2023		**-**	**590**	**(1,407)**	**2**	**(815)**
Loss for the year		**-**	**-**	**(420)**	**-**	**(420)**
Re-measurements on defined benefit surplus	13	**-**	**-**	**3**	**-**	**3**
At 31 March 2024		**-**	**590**	**(1,824)**	**2**	**(1,232)**

	Notes	Share Capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 28 March 2022		**-**	**590**	**(1,329)**	**2**	**(737)**
Loss for the year		**-**	**-**	**(79)**	**-**	**(79)**
Re-measurements on defined benefit surplus	13	**-**	**-**	**1**	**-**	**1**
At 26 March 2023		**-**	**590**	**(1,407)**	**2**	**(815)**

Notes to the financial statements

1. Material Accounting Policies

The accounting policies which follow, set out those which apply in preparing the Company financial statements for the 53 week period ended 31 March 2024.

Financial year

The financial year ends on the last Sunday in March and accordingly, these financial statements are made up to the 53 weeks ended 31 March 2024 (2023: 52 weeks ended 26 March 2023).

Authorisation of financial statements

The parent Company financial statements of Post Office Limited (the "Company") for the financial year ended 31 March 2024 were authorised for issue by the Board of Directors on 17 December 2024 and the balance sheet was signed on the Board's behalf by N Read. Post Office Limited is a company limited by share capital, incorporated and domiciled in England and Wales. The address of the registered office is given on page 159.

Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS" 101). These financial statements are prepared under the historical cost convention. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006 Post Office Limited has not presented its own income statement.

The results of Post Office Limited are included in the consolidated financial statements of Post Office Limited which are available from Companies House.

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

(a) The requirements of IFRS 7 'Financial Instruments: Disclosures',

(b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,

(c) The requirements of paragraphs 10(d), 10(f), 39(c), 40.A and 134-136 of IAS 1 'Presentation of Financial Statements',

(d) The requirements of IAS 7 'Statement of Cash Flow's,

(e) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors',

(f) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures', and

(g) The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Basis of preparation – going concern (material uncertainty)

Having reviewed the expected future cashflows' and given careful consideration to the likelihood of the continued support of Government, the Directors are satisfied that the Company (Post Office Limited) is expected to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In forming this conclusion, the Board has placed significant reliance on a Letter of Support provided by its Shareholder (Department for Business and Trade, "DBT"), details of which are outlined below.

In assessing the Company's ability to continue as a going concern, the Board has considered the Company's financial forecasts for the 15 month period from the date of approval of these financial statements ("the going concern period"). This assessment takes into account the Company's business activities, the current and anticipated economic environment, the principal risks and uncertainties, as well as future trading developments. In doing so, two core scenarios have been assessed as part of this process:

Firstly, a base case scenario – which assumes that Government funding is received to cover activities described below. It also assumes that future funding not contractually committed at the point of approving these financial statements, but included in the Letter of Support, will be forthcoming. Under the base case scenario, the Company maintains compliance with its Security Headroom covenant (which is a restrictive covenant within the Working Capital Facility provided by its Shareholder) and sufficient liquidity is available throughout the going concern period via this Working Capital Facility.

Secondly, a severe but plausible downside scenario – which models a deterioration in trading performance due to reduced demand for certain key product areas and the impact of further cost pressures, including the potential impacts of the Autumn Budget and broader inflationary pressures. This downside also assumes that funding not contractually committed at the point of approving these financial statements, being funding for running the Remediation Matters activities and settling potentially material taxation matters, is not received. Under the severe but plausible downside scenario, the Company forecasts breaching its Security Headroom covenant part way through the going concern period. Moreover, the Working Capital Facility itself would need to be used for purposes other than that for which it was originally intended, being short-term liquidity, and would also become fully exhausted towards the end of the going concern period, resulting in the Company being unable to meet its liabilities as they fall due. This scenario demonstrates that without additional funding and support being provided by Government to fund certain exceptional and investment activities, including the costs to run the Remediation Matters activities, replace the Horizon system and settle potentially material taxation liabilities, the Company would be unable to meet its liabilities as they fall due.

As outlined in the key accounting estimates section in note 1 of the Group financial statements, there remains significant estimation uncertainty over the £981 million of provisions related to Remediation Matters. While contractually committed funding agreements are in place for the OC, HSS, SRR and PPR, which are in excess of the forecast payment levels, the significant estimation uncertainty in HSS and OC means it is possible for the payments to impacted individuals to exceed funding commitments. Whilst this is unlikely, additional funding from Government would be required in such a situation. In addition, the Shareholder recognises that the Company faces other financial risks including taxation-related risks recognised in the financial statements, which are subject to estimation uncertainty, as well as contingent liabilities as disclosed in note 20 to the Group financial statements that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due.

Letter of Support

Given the above, consistent with the prior year, the Shareholder has provided a Letter of Support which has been relied upon by the Board when making its assessment as to whether the Company remains a going concern. The letter confirms that the Shareholder intends to continue to provide financial support to the Company to enable it to meet its liabilities as they fall due for a period of no less than 15 months from the date of approving the 2023/24 financial statements. In addition, the Letter of Support makes clear that the Shareholder recognises that the Company faces other financial risks (including certain taxation-related risks and contingent liabilities) that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due and therefore has provided assurances that funding will be provided in respect of these matters.

However, the Shareholder's Letter of Support does not constitute a financial guarantee and it includes certain caveats making it clear that certain funding may be subject to HMT consent and the application of the Subsidy Control Act 2022 and consideration of the advisory outcome of the referral process to the Subsidy Advice Unit of the Competition and Markets Authority ("CMA"), where required. Whilst there is no indication that the necessary funding and support will not be forthcoming, the absence of guaranteed committed funding and support at the date of authorisation of the financial statements represents a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include adjustments that would result if the Company were unable to continue as a going concern.

Further details regarding the going concern assessment and the associated significant judgements are included in note 1 of the Group financial statements.

Critical accounting estimates and judgements in applying accounting policies

All critical accounting estimates and judgements are consistent with those of the Group as detailed in note 1 of the Group financial statements.

Accounting policies

The following accounting policies are consistent with those of the Group as detailed in note 1 of the Group financial statements:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 16 Leases.
- Critical accounting estimates and judgements in applying accounting policies.
- Other income.
- Leases.
- Taxation.
- Investments in joint venture.
- Property, plant and equipment.
- Intangible assets.
- Inventories.
- Trade receivables.
- Cash and cash equivalents.
- Pensions and other post-retirement benefits.
- Foreign currencies.
- Provisions.
- Derivatives and hedging activities.

Accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Auditors' remuneration

The remuneration paid to auditors is disclosed in the Group financial statements (note 4).

Directors' emoluments

The emoluments paid to Directors are disclosed in the Group financial statements (note 6). Directors for the Company are the same as Group.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses.

Amounts owed by group undertakings

Amounts owed by group undertakings are recognised and carried at original transaction value and subsequently at amortised cost, less any expected credit losses.

Key assumptions used in impairment tests for investments in subsidiaries

The Company assesses whether there are any indicators of impairment for investments in subsidiaries at each reporting date as well as if events or changes in circumstances indicate that the carrying value may be impaired. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance compared to historical or projected future operating results.
- Significant changes in the manner of use of the acquired assets or the strategy of the overall Company.
- Significant negative micro- or macro-economic trends.

Where appropriate, an impairment loss is recognised in the income statement for the amount by which the carrying value of the investment exceeds its recoverable amount.

2. People costs and numbers

Employment and related costs were as follows:

People costs	2024 £m	2023 £m
Wages and salaries	**175**	155
Social security costs	**18**	16
Other pension costs (note 13)	**16**	14
Total people costs	**209**	185

Period end and average employee numbers were as follows:

	Period end employees		Average employees	
	2024	2023	**2024**	2023
Total employees	**3,619**	3,486	**3,580**	3,395

Total employee numbers can be categorised as follows:

	Period end employees		Average employees	
	2024	2023	**2024**	2023
Administration	**1,527**	1,419	**1,479**	1,351
Directly managed branches ("DMB")	**1,284**	1,269	**1,292**	1,258
Supply Chain	**808**	798	**809**	786
Total	**3,619**	3,486	**3,580**	3,395

3. Taxation

Deferred tax

	Company balance sheet	
	2024 £m	2023 £m
Tax losses	**111**	-
Fixed asset timings	**82**	-
Temporary provisions	**6**	-
Deferred tax asset	**199**	-

The Company has significant tax losses and allowances which are available indefinitely for offsetting against future taxable profits. As at the balance sheet date a deferred tax asset of £199 million (2023: £nil) has been recognised in the Company, in relation to these tax losses and allowances.

Under IAS 12, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date, hence 25% has been used.

Details of the factors that may affect future tax charges are included in note 8 in the Group financial statements.

4. Intangible assets

	Software £m	Total £m
Cost		
At 28 March 2022	519	519
Reclassification*	1	1
Additions	49	49
Disposals	(34)	(34)
At 26 March 2023	**535**	**535**
Reclassification*	**(5)**	**(5)**
Additions	**59**	**59**
Disposals	**-**	**-**
At 31 March 2024	**589**	**589**
Accumulated amortisation and impairment		
At 28 March 2022	**391**	**391**
Amortisation	37	37
Impairment	141	141
Disposals	(34)	(34)
At 26 March 2023	**535**	**535**
Reversal of impairments*	(5)	(5)
Amortisation	-	-
Impairment	59	59
Disposals	-	-
At 31 March 2024	**589**	**589**
Net book value		
At 31 March 2024	**-**	**-**
At 26 March 2023	-	-

* Reviews of plant and equipment and intangible assets are carried out on a regular basis and reclassifications between categories made as necessary to ensure a more appropriate representation of the nature of the assets.

Assets under construction at the balance sheet date have a net book value of £nil (2023: £nil).

Goodwill and intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

An impairment assessment was carried out at the cash generating unit ("CGU") level resulting in an impairment of intangible assets totalling £48 million (2023: £110 million), driven by the forecast loss making position. In addition, the Company carries out impairment reviews throughout the year which identified the need to impair an intangible asset which was not going to be used going forwards. As a result, an impairment of £11 million (2023: £31 million) was recognised due to the associated assets no longer having any economic benefit.

Amortisation rates are disclosed on page 102 within the Group accounting policies note.

5. Property, plant and equipment

	Land and Buildings						
	Freehold £m	Long leasehold £m	Short leasehold £m	Motor vehicles £m	Plant and machinery £m	Fixtures and equipment £m	Total £m
Cost							
At 28 March 2022	28	37	79	25	3	830	1,002
Reclassification*	-	-	-	-	-	(1)	(1)
Additions	-	-	1	1	-	11	13
Right-of-use additions and modifications	-	8	8	3	7	-	26
Disposals	(1)	-	-	-	-	(21)	(22)
Right-of-use disposals	-	(5)	(2)	(1)	-	-	(8)
At 26 March 2023	**27**	**40**	**86**	**28**	**10**	**819**	**1,010**
Reclassification*	(1)	-	1	-	-	-	-
Additions	1	-	3	-	-	66	70
Right-of-use additions and modifications	-	-	6	4	4	-	14
Right-of-use remeasurement	-	(15)	(1)	-	-	-	(16)
Disposals	(5)	(1)	(10)	-	-	(4)	(20)
Right-of-use disposals	-	-	(12)	(2)	(1)	-	(15)
At 31 March 2024	**22**	**24**	**73**	**30**	**13**	**881**	**1,043**
Accumulated depreciation and impairment							
At 28 March 2022	20	11	47	23	1	775	877
Depreciation	-	1	3	1	-	24	29
Right-of-use depreciation	-	2	7	2	1	-	12
Disposals	(1)	-	-	-	-	(21)	(22)
Right-of-use disposals	-	-	-	(1)	-	-	(1)
Impairment	-	26	29	3	8	41	107
At 26 March 2023	**19**	**40**	**86**	**28**	**10**	**819**	**1,002**
Depreciation	1	-	-	-	-	-	1
Right-of-use depreciation	-	-	-	1	-	-	1
Impairment	-	-	10	3	4	66	83
Reversal of impairment	-	(15)	(1)	-	-	-	(16)
Disposals	(4)	(1)	(10)	-	-	(4)	(19)
Right-of-use disposals	-	-	(12)	(2)	(1)	-	(15)
At 31 March 2024	**16**	**24**	**73**	**30**	**13**	**881**	**1,037**
Net book value							
At 31 March 2024	**6**	**-**	**-**	**-**	**-**	**-**	**6**
At 26 March 2023	8	-	-	-	-	-	8

* Reviews of plant and equipment and intangible assets are carried out on a regular basis and reclassifications between categories made as necessary to ensure a more appropriate representation of the nature of the assets.

Assets under construction at the balance sheet date have a net book value of £nil (2023: £nil) due to them being impaired as part of the CGU impairment assessment.

Depreciation rates are disclosed on page 101 within the Group accounting policies note. No depreciation is provided on freehold land, which represents £1 million (2023: £1 million) of the total cost of freehold land and buildings.

Included within the table above are right-of-use assets with a net book value of £nil (2023: £nil), having been impaired as part of the CGU impairment assessment. The net book value and split between categories, prior to impairment, has been disclosed in note 20 in the Group financial statements.

During the current year, a review of property, plant and equipment and intangible assets took place and resulted in reclassifications between categories to give a more appropriate representation of the nature of the assets.

CGU Impairment assessment

An impairment test was performed during the year, in accordance with IAS 36. Non-current assets were tested for impairment by comparing the carrying amount of the cash generating unit ("CGU"), being Post Office Limited to its recoverable amount. The recoverable amount is determined based on the higher of an asset or CGU's value in use and, where supportable, fair value less cost of disposal ("FVLCOD").

The discounted net cash flows from the value in use calculations were used to determine the recoverable amount of the CGU. Board approved cash flow projections which cover the period to March 2025 have been used as the basis of the value in use calculation. Cash flows have been extended a further two years to March 2027, based on current observable trends and management expectations, removing any significant one-off items. The terminal value calculation applies no (2023: nil) nominal growth rate, based on management's best estimate, taking into account market and operational experience, of the expected long-term market growth rate.

A pre-tax discount rate for Post Office Limited CGU of 9.9% (2023: 10.3%) has been used to discount the forecasted cash flows. The decrease in discount rate is primarily driven by the decrease in the country's risk estimate, which is incorporated in the discount rate calculation.

A key assumption with the Post Office Limited CGU impairment review is that Network Subsidy Payments ("NSP") which are received from Government to contribute to the costs of Post Office making available the network of public post offices that the Secretary of State for DBT considers appropriate, will continue into perpetuity.

The analysis performed indicates the carrying value of the assets of the Post Office Limited CGU exceed the recoverable amount based on the forecast loss making position, when ignoring future capital expenditure and investment plans, which have been excluded from the value in use calculation in accordance with IAS 36. Consequently, a partial impairment of the CGU has been recognised, incurring an impairment charge of £131 million (2023: £217 million). This includes £48 million (2023: £110 million) related to intangible assets and £83 million (2023: £107 million) related to property, plant and equipment. The joint venture investment and freehold land and buildings, which are part of the CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD.

A reversal of previously recognised right-of-use asset impairments totalling £16 million (2023: £nil) was recognised in relation to an adjustment to the treatment of certain non-lease components. See note 10 to the Group financial statements for further details.

The position of all CGUs will be revisited annually in line with accounting standards.

6. Investments in subsidiaries

The carrying value of £46 million (2023: £43 million) is made up of two investments in subsidiaries.

Post Office Management Services Limited

The carrying value of the Company's investment in Post Office Management Services Limited is £43 million (2023: £43 million) – a 100% subsidiary of the Company with 60,000,000 shares at a nominal value of £1 and one share with a nominal value of £100.

Payzone Bill Payments Limited

During the year, as part of a series of transactions to transfer the trade and net assets of Payzone Bill Payments Limited to Post Office Limited, an intercompany loan was forgiven, resulting in a partial reversal of the previously recognised impairment. The resulting carrying value as at the balance sheet date totalled £3 million (2023: £nil). The original carrying value of the investment was £19 million, but was fully impaired in a prior year. Post financial year-end, the trade and net assets of Payzone Bill Payments Limited were transferred to Post Office Limited at book value of £3 million.

The registered address of Post Office Management Services Limited is 100 Wood Street, London EC2V 7ER. The registered address of Payzone Bill Payments Limited is C/O Grant Thornton UK LLP, 30 Finsbury Square, London.

7. Investments in joint venture

	2024 £m	2023 £m
Investment in joint ventures	**71**	75
Total net investment at 31 March 2024, 26 March 2023	**71**	75

The Group has one joint venture investment with a 50% interest (1,000 £1 ordinary A shares) in First Rate Exchange Services Holdings Limited ("FRESH"). FRESH is the holding company of First Rate Exchange Services Limited (FRES), which is the joint venture operating company. The principal activity of FRES is the supply of foreign currency exchange and FX note wholesaling in the UK to the Post Office and others, which complements the Group's operations and contributes to achieving the Group's overall strategy. The principal risks of the Group are disclosed on pages 58 to 61. First Rate Exchange Services Holdings Limited ("FRESH") is a company registered in the United Kingdom. The registered address of FRESH is Great West House, Great West Road, Brentford, London, TW8 9DF.

An impairment assessment was carried out in accordance with IAS 36 in relation to the joint venture investment in FRESH, which forms part of the Post Office Limited CGU. In assessing whether the joint venture investment was impaired, the carrying value of the Post Office Limited CGU, was compared to its value in use, which indicated a full impairment of the CGU. A separate assessment was then carried out at the individual asset level using the FVLCOD methodology to determine recoverable amount. The FVLCOD assessment resulted in a recoverable amount in excess of the carrying value of the asset. As such, no impairment (2023: £nil) was recognised in respect of the joint venture investment. See note 5 for further details in respect of the CGU impairment assessment.

8. Trade and other receivables

	2024 £m	2023 £m
Current:		
Trade receivables	**92**	77
Amounts owed by Group undertakings	**1**	10
Accrued income	**61**	61
Prepayments	**19**	19
Client receivables	**147**	98
Other receivables	**115**	13
Total	**435**	278
Non-current:		
Accrued income	**4**	4
Other receivables	**-**	-
Total	**4**	4

The Company applies IFRS 9 when measuring expected credit losses. The Company has assessed all relevant assets and concluded that expected credit losses are not material in both the current and prior year, with the exception of trade receivables and amounts owed by Group undertakings. Trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses.

The loss allowance for the current and prior year has been determined as follows:

31 March 2024	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	50%	97%	28%
Gross carrying amount - £m	87	2	2	35	126
Loss allowance - £m	**-**	**-**	**1**	**33**	**34**

26 March 2023	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	93%	
Gross carrying amount - £m	70	2	3	30	105
Loss allowance - £m	-	-	-	28	28

There is a loss allowance in the current, more than 30 days and more than 60 days ageing categories, however it is immaterial for disclosure.

Amounts owed by Group undertakings have been assessed in accordance with IFRS 9. The Company did not recognise an expected credit loss in relation to amounts owed by Group undertakings in 2023/24 (2023: £14 million).

During the year, as part of a series of transactions to transfer the trade and net assets of Payzone Bill Payments Limited to Post Office Limited, a deed was signed to release Payzone Bill Payments Limited from its outstanding obligations to Post Office Limited. As a result, a reversal of the previously recognised expected credit loss of £14 million was recognised in the Company's income statement.

9. Cash and cash equivalents

	2024 £m	2023 £m
Cash in the Post Office Limited network	**572**	522
Short-term bank deposits	**5**	2
Total	**577**	524

10. Trade and other payables

	2024 £m	2023 £m
Current:		
Trade payables	**46**	57
Amounts owed to subsidiary undertaking	**2**	1
Accruals	**131**	127
Deferred income	**34**	42
Social security	**7**	6
Client payables	**410**	492
Lease liabilities	**14**	10
Capital payables	**7**	8
Total	**651**	743
Non-current:		
Lease liabilities	**32**	48
Total	**32**	48

11. Financial liabilities – interest bearing loans and borrowings

	2024 £m	2023 £m
Current:		
Department for Business and Trade – facility	**741**	431
Department for Business and Trade – fixed term loan	**5**	7
Total	**746**	438
Non-current:		
Department for Business, Energy and Industrial Strategy – fixed term loan	**40**	45
Other borrowings	**1**	
Total	**41**	45

Details of the financial liabilities are included in note 15 in the Group financial statements.

12. Provisions

	HSS	OC	SRR	PPR	NP*	Property	Branch Losses	IR 35	Other	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 26 March 2023	127	244	64	-	9	18	6	-	6	474
Charged to investment spend	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**6**	**7**
Charged to exceptional items	**781**	**-**	**-**	**18**	**-**	**-**	**-**	**72**	**-**	**871**
Charged to trading	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**3**	**16**
Utilisation	**(58)**	**(26)**	**(6)**	**-**	**(2)**	**(3)**	**-**	**-**	**(2)**	**(97)**
Provisions released in the year - investment spend	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**(1)**	**(3)**
Provisions released in the year - exceptional	**-**	**(101)**	**(30)**	**-**	**-**	**-**	**-**	**-**	**-**	**(131)**
Provisions released in the year - trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Unwinding of discount	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
Impact of discounting	**(36)**	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(42)**
At 31 March 2024	**814**	**121**	**28**	**18**	**7**	**14**	**19**	**72**	**9**	**1,102**

	HSS	OC	SRR	PPR	NP*	Property	Branch Losses	IR 35	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2024										
Current	**352**	**32**	**10**	**2**	**7**	**9**	**19**	**-**	**7**	**438**
Non – current	**462**	**89**	**18**	**16**	**-**	**5**	**-**	**72**	**2**	**664**
	814	**121**	**28**	**18**	**7**	**14**	**19**	**72**	**9**	**1,102**
At 26 March 2023										
Current	57	62	19	-	4	8	6	-	6	162
Non – current	70	182	45	-	5	10	-	-	-	312
	127	244	64	-	9	18	6	-	6	474

*Network Programmes (NP)

Details of the provisions are included in note 16 to the Group financial statements.

13. Retirement benefit surplus

The Company pension's disclosure is consistent with the Group disclosure included in note 18 to the Group financial statements.

14. Equity

Called up share capital

	2024	2023
	£	£
Authorised		
Ordinary shares of £1 each	**51,000**	51,000
Total	**51,000**	51,000
Allotted and issued and fully paid		
Ordinary shares of £1 each	**50,005**	50,005
Total	**50,005**	50,005

Share premium

There was no share issue in 2023/24 (2023: £nil).

Other reserves

Other reserves of £2 million (2023: £2 million) relate to First Rate Exchange Services Holdings Limited, the joint venture entity.

15. Commitments, contingent liabilities and contingent assets

Details of the Company commitments and Company contingent liabilities are disclosed in note 20 of the Group financial statements.

16. Related party disclosures

Related parties for Post Office Limited are as per the Group; details of which are disclosed in note 21 of the Group financial statements. The Directors have taken advantage of the exemption permitted by FRS 101 not to disclose transactions with wholly owned subsidiaries within the Group.

17. Post balance sheet events

Details of post balance sheet events are included in note 25 to the Group financial statements.

18. Ultimate controlling party

The Secretary of State for the Department for Business and Trade ("DBT"), holds a special share in Post Office Limited and the rights attached to that special share are enshrined within Post Office Limited Articles of Association. DBT, through UK Government Investments Limited ("UKGI"), has no day to day involvement in the operations of Post Office Limited or in the management of its branch network and staff. As such, at 31 March 2024, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. Post Office Limited is the ultimate controlling party.

The parent undertaking of the largest and smallest Group to consolidate the results of the Company is Post Office Limited, a company registered in the United Kingdom. Post Office Limited financial statements can be obtained from 100 Wood Street, London, EC2V 7ER.

Corporate information

Registered Office

Post Office Limited

100 Wood Street

London

EC2V 7ER

Actuary

Towers Watson Limited

Watson House

London Road

Reigate

Surrey

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Independent Auditors

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