Annual Report & Consolidated Financial Statements

2020/21

Presented to Parliament pursuant to section 77 of the Postal Services Act 2000

POST OFFICE

Registered Number 2154540

Contents

Strategic Report

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

Joint Chairman and CEO Statement – Redressing the wrongs of the past

As Sir Wyn's Horizon IT Inquiry hears first-hand testimony from Postmasters, this is a fitting time to take stock of Post Office's progress to secure justice for the people affected by this scandal and ensure that all lessons have been learnt.

After the Group Litigation was concluded in December 2019, we launched a comprehensive programme to identify any material that should be disclosed to those historically prosecuted. We soon began to understand the sheer scale of the miscarriage of justice that had taken place, as well as the terrible consequences for those impacted. Since then, we have worked tirelessly to remedy the historical failings highlighted by the Group Litigation and embarked upon an ambitious and sustained programme of work to fundamentally change our business.

First and foremost, our focus is on redressing past wrongs. Securing full, fair and final compensation for those affected has been our immediate priority and we are making good progress. We have made provision for £502 million for compensation of overturned historical convictions and have secured funding from the Government for up to £780 million. To date, 66 of the 73 people who have had their convictions overturned have now each received interim compensation payments of up to £100,000 and, following Government funding announced in July 2021, we are beginning to negotiate final settlements but we are concerned at the time it is taking and are in discussions with Government and claimants' legal representatives on the approach. At the same time, we are taking determined action to assist anyone who may wish to challenge their conviction, including providing information about how to take forward appeals and where to obtain help and legal advice. Post Office and the Government have also agreed a package of independent outreach with the Criminal Cases Review Commission ("CCRC") and are exploring additional support measures with independent bodies.

Separately, we are paying civil compensation through the Historical Shortfall Scheme to Postmasters who have been affected by financial discrepancies related to previous versions of Horizon. We have provided for £150 million in compensation and have recognised Government funding of £64 million as an asset as at the balance sheet date. To date, of the 2,369 eligible applications to the scheme, 1,243 claimants have now received an offer, and 952 of these have been accepted and paid. Offers and payments are continuing to be made every week and 95% of applicants to the scheme should receive offers by the end of 2022 as the independent advisory panel assessing each case accelerates its important work.

We must ensure that compensation is delivered to everyone affected. This means the unfairness for people whose claims were settled in the Group Litigation must also be addressed. Whilst a settlement was jointly agreed with the claimants in good faith, it was only later that we understood how little of the settlement each of the 555 claimants received. Since then, we have publicly stated it simply is not right for Group Litigation claimants to be disadvantaged. We therefore welcomed the Government's recent announcement to set up a new scheme for the 555 and will work closely with the Government to ensure fair compensation for all.

The Inquiry's oral hearings, which began in February 2022, have since underscored the human cost of this scandal – we have heard of time spent in prison by those whose convictions are now quashed, of marriages broken, jobs lost. It is only right, then, that we have provided our continued support to Sir Wyn and his Inquiry team; we have waived our legal professional privilege for the purposes of this inquiry to be as transparent as possible; and we have disclosed in excess of 30,000 documents to date for the Inquiry's consideration and review; and we continue to provide documents and witness evidence as requested by the Inquiry. We know that, for genuine progress to be made, the full history of this scandal must be brought to light.

But, as well as righting the wrongs of the past, we have a responsibility in the here and now to improve our business and ensure that these events can never happen again. The oral hearings have reinforced our determination to learn from our failings and to continue to change the Post Office for the benefit of our Postmasters. In doing so, by fully addressing the past, we can rebuild confidence in the Post Office, which remains so essential to communities across the United Kingdom.

Operationally, we are delivering a programme of improvements, based on Postmaster and branch feedback, in every part of the business – from initial contact and training through to daily transactions and accounting. For example, we have launched a programme to replace our Horizon IT system with a new branch system that will underpin the future of our network – built with Postmasters, for Postmasters. In the meantime, we're improving Postmasters' everyday user experience of Horizon, including redesigning processes to investigate discrepancies and resolve disputes.

More widely, we are making numerous small but important changes for our Postmasters through our new Improvement Delivery Group. For example, we have introduced Postmaster champions into our Supply Chain depots; we have overhauled our Postmaster training and now have 16 classroom training sites that are available for top-up training all year round with dedicated trainers, plus 40 specialist trainers around the country delivering on-site training; we have built a Branch Performance tool so that Postmasters have their branch sales and remuneration at their fingertips; we have published a Postmaster Support Guide that outlines our commitments to them and the support available to them in one place; and we are continuing to improve our online Branch Hub platform as the one-stop-shop for our Postmasters' needs.

Culturally, we are relentlessly focused on putting our Postmasters at the heart of the business. The clearest signal of this determination to date has been to introduce two Non-Executive Director Postmasters, elected by other Postmasters, onto our Board to ensure the business's direction is rooted in the reality of Postmasters' experiences. A serving Postmaster has also been appointed to a new full-time Postmaster Director role, leading on our day-to-day engagement with Postmasters. Moreover, we are ensuring colleagues understand the realities of working in branch, whether through our "*Adopt an Area*" scheme, which is designed to help our senior leaders connect with Postmasters, or our "*Week in the Life of Postmaster*" training, which has been rolled-out to all central support colleagues.

We are also embedding a range of engagement forums to ensure that Postmasters are listened to, their feedback acted upon and their voices heard. For example, we have introduced new monthly Regional Forums and a national Postmaster Advisory group, as well as a number of Postmaster working groups to collaborate on key topics, from IT to marketing. In 2021, we held two national conferences and more than 100 local engagement events with Postmasters across the country, hosted by Senior Managers at Post Office. Most recently, we have conducted our second annual Postmaster Research programme, providing an essential channel through which we can understand Postmasters' needs and aspirations.

The results from this research show that our Postmasters are beginning to see the benefit of these changes on the ground. Compared to a year ago, more Postmasters are positive about their relationship with Post Office (+11%); more feel supported by the business (+8%); more feel valued (+6%) and more recognise that Post Office understands their day-to-day lives (+5%). These are modest but clear improvements and an important start. We know that forging a strong partnership with Postmasters and rebuilding their trust will take time. This isn't about quick fixes or easy wins, but fundamental changes in many parts of the organisation, its processes, procedures and policies. While our research shows there is still much to do – including making post offices more financially attractive to run, which continues to be a priority for Postmasters – these results show we are making progress.

Ultimately, our Postmasters must have the confidence that history will not repeat itself. They must experience that the Post Office has changed for good, as we work together to build a successful and fairer business. Post Office simply matters too much to today's Postmasters, customers and communities across the UK. In short, we must and will put this right.

Chairman's Foreword

Having served as the Chairman or Chief Executive of several organisations, I have seen my fair share of businesses navigate their way through change and challenges over the years. However, I have not witnessed such a uniquely turbulent period as the financial year of 2020/21 – for the world, for the nation and for businesses, including the Post Office. The effect of the pandemic was sudden and far-reaching for our Postmasters, our customers and our colleagues.

It is in this unprecedented and unpredictable context that Post Office's performance over the past financial year should be assessed. Due to the impact of the pandemic, our trading profit fell by £51 million, however we were still able to close the year with a robust trading profit of £35 million. However, the emphasis on financial metrics that often dominates the view of a business' performance should be placed alongside more nuanced measures that we know customers and citizens increasingly prize: the value a company brings to its local communities, its social and environmental credentials and what – put simply – it gives back.

Indeed, the pandemic brought into fresh focus how important post offices are across the UK – being open each day in nearly every community, when high streets fell still and quiet during the pandemic, has been as vital as it has been appreciated. However, it also reinforced the fact that without our Postmasters, there is no Post Office. Illustrating this are countless stories of individual Postmasters going above and beyond the call of duty – whether delivering food parcels to customers who were shielding, coordinating with local food banks for those in need, or even running another Post Office when a fellow Postmaster had been unable to do so. Indeed, their hard work, resilience and service have been recognised by a myriad of Government Ministers and MPs, bringing to the fore why resetting our relationship with Postmasters is not simply a cultural ideal, but an operational imperative.

But even as we begin to chart our way out of the pandemic toward normality, Post Office, like every other business in the UK, faces a tough new reality. The near meteoric rise of online shopping, the sudden demise of many of the biggest brands on the high street and an ever-challenging retail landscape have made clear that a history of managing a large retail chain is by no means a guarantee of its successful future. However, unlike every other business in the UK, Post Office must face up to another, even harsher reality – the need to confront our past and the simple fact that as an organisation we failed a large number of Postmasters.

The last year has been a year of two parts – of both pride we can feel at our role through the pandemic, and deep humility at the historical failings we must face up to. We accept that we have been a source of deep pain for some current and former Postmasters. We have apologised wholeheartedly for our failings and continue to make the operational and cultural changes to ensure this cannot happen again, as indicated in our joint statement above. In our journey to reckon with our past, the 2020/21 financial year was important in three respects.

First, following the agreed settlement of Group Litigation in 2019, we established the Historical Shortfall Scheme in May 2020 to provide redress to Postmasters for shortfalls related to previous versions of the computer system, Horizon. Having received 2,369 eligible applications and with payments underway, this marks an important milestone in addressing past mistakes and demonstrates the start of a more open and transparent relationship with our Postmasters.

Second, since March 2020 the Court of Appeal Criminal Division ("CACD") and the Southwark Crown Court have overturned 72 convictions prosecuted by the Post Office (together, "the Appeals"). As at 25 April 2022 the CACD and Southwark Crown Court will each consider 1 further appeal against convictions and the CCRC is reviewing a further 31 applications to refer convictions for appeal. While Post Office stopped prosecutions nearly a decade ago, these rulings are a stark reminder of the need to fully address the wrongs of the past. We must ensure that those impacted by this scandal are fully compensated as quickly as possible and come to a resolution that recognises the scale of our shortcomings.

And third, an Inquiry, led by Sir Wyn Williams, was launched in November 2020 to establish a clear account of the implementation and failings of the Horizon IT computer system over its lifetime. More recently, following the Court of Appeal ruling, the Inquiry has shifted to a statutory footing, which is a welcome step in ensuring that lessons are learnt. This will help ensure that the Inquiry can assess whether Post Office is changing for the better and provide reassurance to Postmasters that Post Office has the culture and processes in place to ensure that nothing like this can happen again.

The cost of addressing the wrongs of the past is substantial: first, in securing full and fair compensation that is rightly due to those affected by this scandal; and second, for the complementary administration costs to ensure there are proper legal conclusions that are satisfactory to the Postmasters affected and that stand the test of time. However, as many businesses pore over their profits and losses over the past financial year, Post Office should be set apart. A key determinant of our success now and in the years ahead will also be whether our Postmasters feel certain that history will not repeat itself, whether they thrive commercially and whether they have confidence in this business.

I conclude, first by welcoming two serving Postmasters, Saf Ismail and Elliot Jacobs, as well as Ben Tidswell and Brian Gaunt, to the Post Office Board as our newest Non-Executive Directors. We now have serving Postmasters on our Board for the first time in the Post Office's 360-year history and I would like to thank Saf and Elliot for the insightful contributions they are already making. Having stood down in January, I would also like to thank Ken McCall for his two terms of dedicated service on the Board and wish him the best for the future.

Second, I want to formally reiterate my gratitude on behalf of the Board to all our Postmasters, as well as colleagues, for their tireless work – without which the pandemic would have likely been that much more challenging for so many.

Tim Parker

Chairman

29 April 2022

Chief Executive Statement

I have served as the Chief Executive of Post Office since September 2019, and yet the pandemic has perhaps brought with it enough challenges to last two decades – this is, of course, a theme that will dominate innumerable annual reports and reflections from Chief Executives this year.

While 2020/21 was undoubtedly a year that few would want to repeat, it also demonstrated the difference that post offices across the UK make to communities. During the pandemic, while the high street grew quiet and isolation kept millions at home, we ensured communities across the UK could continue to access critical public services; we adapted products like Payout Now and Fast PACE for those who could not leave their homes safely; and we repurposed our foreign exchange delivery service so that customers could receive cash in the post the very next day. Our designation by the Government as an essential retailer during the pandemic was fitting recognition of the vital part we played. This is thanks entirely to the combined efforts and tireless work of our Postmasters and their staff, colleagues in our Directly Managed Branches and Supply Chain, and wider support colleagues.

We may never be able to fully quantify or calculate the considerable value post offices brought to the UK during the pandemic – or their role in helping the UK get back on its feet as we emerge from a succession of lockdowns. However, independent research we commissioned in 2020 did shed some light on the essential role we play across the UK, with post offices bringing an additional 400 million visitors to UK high streets, driving an estimated additional £1.1 billion in revenue to the UK economy. Furthermore, the research found that two in five small businesses would not be able to continue functioning without the Post Office for more than a few months.

In spite of the pandemic, throughout 2020/21 and since, we have made real progress in our journey to forge a new and enduring partnership with Postmasters, even as we address historic failures. Our joint statement above sets these changes out in more detail, but some key milestones for me include; the establishment of our Improvement Delivery Group to carry out a suite of operational, technological and cultural fixes across the business; setting up the Historical Shortfall Scheme to start to atone for past mistakes; a nationwide consultation with both Postmasters and our partners; the launch of a new programme to replace Horizon by 2025 with a modern branch IT system that will underpin the future of our network; and two serving Postmasters joining our Board as Non-Executive Directors to ensure our future is grounded in the reality of their experiences. This is to say nothing of the myriad of small but vital changes we are delivering to make Postmasters' lives easier day in, day out.

Beyond resetting our relationship with Postmasters – which is our priority as a business – there are a host of achievements of which any business could have been proud of in a normal year, let alone during a global pandemic. In December 2020, we signed our second Mails Agreement with Royal Mail. As well as ensuring continuity for customers and businesses across the UK for the next decade, this marks an important milestone in our history, in that we can now open up our network to new mails and parcels providers and evolve to meet customers' needs. Shortly after this, we also successfully sold our Telecommunications ("Telecoms") business to Shell Energy Retail, in our journey to rationalise and double down in our core products and services.

Besides shoring up our core commercial pillars, we have also helped boost social, financial and digital inclusion for customers across the UK. In February 2021, we announced the expansion of our digital identity services offering in partnership with Yoti, combining our extensive branch network and brand presence with Yoti's leading identity technology. We launched a £16 million investment that will see us own and operate c.1,400 free-to use-cash ATMs across the UK – one of the largest investment programmes in that market by any organisation for over a decade and a significant demonstration of our commitment to protecting access to cash. And, of course, we have continued to expand our role in providing vital cash and banking services during a year in which bank branch closures have only accelerated. Indeed, data from our Cash Tracker illustrates the UK's increasing dependence on Post Office services; in fact, in 2020, Postmasters handled almost 140 million cash transactions on behalf of bank and building society customers. Of this we can, and should, be enormously proud.

My overall observation is that the past couple of years have, more than anything, brought into sharp focus how many people rely on us. Our restated purpose as a business makes this clear: “We’re here, in person, for the people who rely on us”. This captures the essence of why Post Office exists and emphasises that the UK needs the Post Office to emerge from the pandemic fighting fit. This will be challenging as we face into the significant headwind of a tough economic outlook and the imperative, with the associated costs, to provide redress for those affected by the Horizon IT scandal.

The Government provided a £227 million funding settlement in the one year spending review in November 2020. In April 2022, following the Comprehensive Spending Review, £335 million of funding has been allocated for the next three years. This allocation is composed of a network subsidy which is frozen at £50 million a year to offset some of the costs of maintaining the unprofitable parts of the network. There is also £185 million over the next three years for investment, primarily to transform our technology. While I would, of course, have liked a more generous settlement to be able to do more, we have to set our plans consistent with the funds we have been allocated. These plans will be more challenging than in previous years, as trading profits will be diverted to address the failings of the past.

We know from our Postmaster research that remuneration and their branch profitability continues to be the top priority for our Postmasters. Therefore, we will have to work even harder to help our Postmasters navigate the economic headwinds so that they can continue to run their post offices successfully and be the pillars of their communities.

Needless to say, there is a huge amount still to be done – both on our journey towards sustainability and to rebuild trust with Postmasters. We are at a critical juncture. However, I am confident that we can use this moment of profound change in the retail landscape and across the UK as a catalyst for working with the Government on a fundamental recasting of the Post Office for the future. We must continue to work hard to become a business that genuinely places its Postmasters at its heart and remains relevant to the needs of the communities it serves across the UK.

If the pandemic has shown us anything – with all its social isolation and its lockdowns – it is the value of a face-to-face moment. Postmasters, and the face-to-face service they provide at the heart of communities, deserve a brighter future.

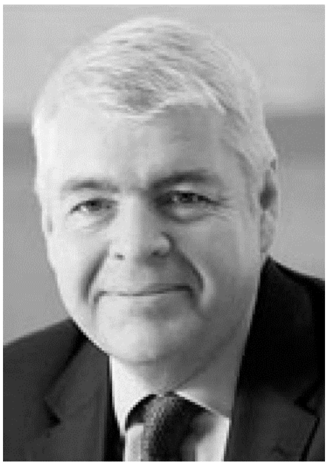
Nick Read

Chief Executive Officer

29 April 2022

Financial and Business Review

Presentation of results for 2020/21



As disclosed in the consolidated income statement of the financial statements on page 66, we have split the results of the group of companies headed by Post Office Limited ("the Group", "Post Office") between continuing and discontinued operations. Together these combine to present the results of the Group.

In prior years, investment funding from Government, restructuring, impairment and transformation costs were separately disclosed in an 'investments' column in the consolidated income statement. In 2020/21, where these items exist, they have been combined into the singular trading column format, which represents the underlying performance of the business, with exceptional one-off items recognised as individual line items. The 2019/20 results have been presented in the same way for comparative purposes. The disposal of the Telecoms operation in 2020/21, which represented a separate line of business, is a significant event which requires separate disclosure on the income statement, therefore a 'discontinued operation' section has been included after the results for continuing operations for both 2019/20 and 2020/21. The operating profit in respect of the discontinued operation is included in the alternative performance measure but the profit on disposal is excluded. See note 24 to the financial statements for further details.

Overview

Post Office's trading profit reduced to £35 million (2020: £86 million) principally due to the significant impact of the COVID-19 pandemic. The primary impact was on business banking and travel products however increased Mails trading and improved prices from the new banking framework agreement helped partially offset the impact. Despite the impact of the COVID-19 pandemic, the Group achieved a fifth consecutive year of profitable trading. We supported an increase in Postmasters' remuneration to £412 million (2020: £384 million) with COVID-19 top-up payments and strong mails trading helping to offset reduced travel related remuneration, and banking rate increases offsetting lockdown related business volume reductions. We have maintained a positive cash and security headroom position throughout the year.

Trading profit, shown below, includes revenue and costs from the Telecoms business which was sold to Shell Energy Retail Limited on 15 March 2021. Refer to the discontinued operations note to the financial statements (note 21) on page 114 for further details.

	2021 £m	2020 £m	Variance £m	Variance %
Revenue	**957**	951	6	1
Costs*	**(918)**	(912)	(6)	1
Other income	**3**	19	(16)	(84)
Share of (loss)/profit from joint venture	**(7)**	28	(35)	(125)
Trading profit**	**35**	86	(51)	(59)

* Excludes exceptional items and investments.

** Non-statutory measure which is explained further in note 24 to the financial statements.

We recognised an overall statutory loss of £597 million (2020: £305 million), see table on the next page. This includes Historical Matters related costs of £610 million (2020: £225 million), made up of a provision of £502 million for Overturned Historical Convictions ("OHC") and related legal and running costs of £22 million, Group Litigation Order ("GLO") costs of £1 million, a provision of £59 million in respect of Postmaster Remediation and legal and running costs of £29 million related to the Historical Shortfall Scheme ("HSS"), offset by a reduction in the HSS provision of £3 million. The costs are offset by the recognition of HSS funding of £64 million, detailed further on page 14. The loss also includes £124 million (2020: £130 million) of depreciation and amortisation, from both continuing and discontinued operations.

	2021 £m	2020 £m	Variance £m
Revenue	**957**	951	6
Adjusted EBITDA: operating profit before depreciation, amortisation, exceptional items and investments (note 24)*	**85**	136	(51)
Trading profit: operating profit before depreciation, amortisation, exceptional items, investments and Network Subsidy Payment (note 24)*	**35**	86	(51)
Loss for the financial year	**(597)**	(305)	(292)

* Non-statutory measures which are explained further in note 24 to the financial statements.

In 2019/20 the Group entered a net liability position for the first time since 2012, driven by the recognition of a £153 million provision for HSS. In 2020/21 a corresponding asset of £64 million has been recognised in respect of Government funding for the HSS (note 4 to the financial statements). Despite this, the Group remains in a net liability position of £656 million (2020: £57 million) which is primarily driven by the recognition of two additional provisions: Overturned Historical Convictions of £502 million and Postmaster Remediation of £59 million (note 16 to the financial statements).

Post year-end and prior to the signing of these financial statements, Government has agreed to provide additional funding in respect of investments and Network Subsidy Payments for the periods 2022/23 through to 2024/25, committed to funding the Overturned Historical Convictions, extended the term of funding for the HSS and provided written assurances of continued Government support in respect of several significant potential liabilities for which funding has not yet been confirmed. Given the estimation uncertainty around several significant provisions and crystallisation of any possible future liabilities, we have set out in some detail the material uncertainties we face within the going concern assessment in note 1 to the financial statements. While Government funding is formalised for specific time periods and requests, we believe that Government support remains strong and we are therefore confident that we can continue to provide our national services for the foreseeable future. Post Office therefore remains a going concern.

Revenue

The Post Office business was organised in the period into three strategic commercial pillars, plus Telecoms, reflecting the change in organisational structure during the year. Revenue from our subsidiary Post Office Management Services Limited (“POMS”) is included within the PO Insurance line below. Revenue from our subsidiary Payzone Bill Payments Limited (“Payzone”) is included within the Payment Services line below. The divisions and their performance are detailed on the following pages.

	2021 £m	2020 £m	Variance £m	Variance %
Revenue from Continuing Operations:				
Mails	397	347	50	14
Retail, Lottery & Gift Cards	34	38	(4)	(11)
Government Services	14	30	(16)	(53)
Mails, Retail & Government Services	**445**	**415**	**30**	**7**
Banking Services & ATMs	205	165	40	24
Transactional Financial Services	58	71	(13)	(18)
Payment Services	29	31	(2)	(6)
Post Office Card account ("POCa")	14	21	(7)	(33)
Banking, Payments & Transactional Services	**306**	**288**	**18**	**6**
Mortgages, Savings & Loans	13	31	(18)	(58)
Credit Cards	5	3	2	67
PO Insurance	24	48	(24)	(50)
Identity Services	10	8	2	25
Financial Services, Identity Services and Insurance	**52**	**90**	**(38)**	**(42)**
Other*	12	14	(2)	(14)
Total Revenue from Continuing Operations:	**815**	**807**	**8**	**1**
Revenue from Discontinued Operation:				
Telecoms**	142	144	(2)	(1)
Total Revenue	**957**	**951**	**6**	**1**

* Principally relates to Supply Chain income of £9 million (2020: £10 million) predominantly for warehousing of Royal Mail stock, transport of high value mails and release of Bank of Ireland deferred income of £2 million (2020: £3 million). The remaining £1 million (2020: £1 million) is made up of immaterial revenue balances.

** See note 21 to the financial statements for more detail.

Mails

Mails includes the sale of parcel labels, special delivery and home shopping returns along with other mails products provided by Royal Mail and Parcelforce. Underlying mails trading increased by £50 million to £397 million (2020: £347 million) with labels and special delivery increasing 26% and 12% respectively. This was a consistent trend throughout the year as a result of enforced social distancing measures and travel bans. Home shopping returns volumes benefitted from the closure of non-essential retail and full year revenue was 21% up on prior year.

Retail, Lottery & Gift Cards

Revenue has decreased by £4 million to £34 million (2020: £38 million). Retail sales have declined during the COVID-19 pandemic, as have gift card sales, reflecting the wider impact of the pandemic on department stores and non-essential retailers.

Government Services

Government services relates to Home Office passport applications, DVLA services and UK Visas and Immigration residency permits. Revenue has decreased by £16 million to £14 million (2020: £30 million). Lack of international travel caused a significant decline in passport volumes from prior year.

Banking Services & ATMs

Revenue has increased by £40 million to £205 million (2020: £165 million). As part of the Banking Framework 2 agreement, our fixed fee increased by £49 million to £90 million (2020: £41 million). Banking services revenue was relatively flat at £100 million (2020: £98 million) as increased rates from the new agreement offset the volume decrease in business banking caused by lockdowns. ATMs revenue has declined by £11 million, due to a planned reduction in the ATM network size.

Transactional Financial Services

Our Transactional Financial Services products include travel money, MoneyGram and Postal Orders. Revenue decreased by £13 million to £58 million (2020: £71 million). Underlying travel money revenue declined by £13 million due to COVID-19 travel restrictions, however these were partially offset by an additional £4 million of fixed commissions.

Payment Services

Payment Services includes bill payment transactions. Resellers market decline has been substantially but not fully offset by a full year of British Gas volumes, with revenue experiencing a slight reduction to £29 million (2020: £31 million) as a result.

POCa

Account numbers are declining as planned migration away from Post Office Card Account continues. As such revenue has decreased by £7 million to £14 million (2020: £21 million).

Mortgages, Savings & Loans

Revenue has decreased by £18 million to £13 million (2020: £31 million) due to lower deposit balances, on which commission is received, and a low interest rate environment.

Credit Cards

Revenue has increased by £2 million to £5 million (2020: £3 million). Credit Card sales returned strongly in the second half of the year with a revised credit policy and effective marketing activity.

PO Insurance

Post Office Insurance provides Travel, Life and General Insurance policy cover. Insurance revenue has declined by £24 million to £24 million (2020: £48 million). The decrease was driven mainly by Travel Insurance, which saw a £19 million reduction on prior year, driven by travel restrictions.

Identity Services

Identity predominantly relates to Verify services. Revenue is volume driven, boosted by HMRC's extension of the self-assessment tax return deadline. Revenue in this area has increased by £2 million to £10 million (2020: £8 million). However, increased volumes incur higher associated Verify fees, hence there is little profit benefit.

Telecoms

Telecoms included Post Office HomePhone & Broadband and Fibre services. The business was sold to Shell Energy Retail Limited on 15 March 2021. Eleven and half months of trading has been recognised in this financial year for Telecoms.

Joint venture

Post Office Limited has a joint venture with the Bank of Ireland with each party holding 50% of First Rate Exchange Services Holdings Limited ("FRESH"), whose principal activity is the supply of foreign currency exchange in the UK to the Post Office and others. FRESH's profit in the year has been severely impacted by travel restrictions imposed as result of the COVID-19 pandemic. As such, Post Office's share of operating loss from the joint venture was £7 million (2020: £28 million profit).

Discontinued operation

On 1 February 2021 the Group entered into a binding agreement to sell the trade and assets of its Telecoms business to Shell Energy Retail Limited. The transaction completed on 15 March 2021 for consideration of £65 million. The carrying value of net assets sold was £6 million and costs of £6 million were incurred to sell the operation. The Group recognised a profit on disposal of £53 million in the year. The sale allows the Group to focus its investment on its core business operations.

In 2019/20 the discontinued Telecoms business contributed revenue of £144 million and incurred costs of £130 million, resulting in a trading profit of £14 million from the discontinued operations. In preparing the financial statements for the current year, a discontinued operation note has been included. See note 21 to the financial statements for more detail.

Costs

Trading costs increased by £6 million to £918 million (2020: £912 million). Postmaster remuneration increased by £28 million to £412 million (2020: £384 million) as COVID-19 top-up payments and strong Mails trading helped to offset reduced Travel related remuneration; along with the banking rate increase offsetting lockdown related business volume reductions.

People costs decreased by £8 million to £163 million (2020: £171 million) reflecting efficiency savings following organisational effectiveness activities during the year.

Average headcount reduced from 4,027 in 2019/20 to 3,556 in 2020/21 reflecting the aforementioned efficiency savings and the effect of the Network and Directly Managed Branch ("DMB") transformation programmes. Closing headcount for the year was 3,449 (2020: 3,663).

Other trading costs, excluding Postmaster and people costs, have decreased by £10 million to £346 million.

Exceptional items

Exceptional costs are significant, one off items which require disclosure on their own in the income statement due to their material size and nature. Exceptional costs of £626 million (2020: £232 million) were recognised in the year. This includes Historical Matters related costs of £610 million (2020: £225 million), £7 million (2020: £7 million) in relation to other legal costs and £9 million (2020: £nil) in relation to COVID-19 pandemic related costs to ensure safety in the branch network. The increase in Historical Matters related costs is primarily due to recognition of both the Overturned Historical Convictions provision and the provision for historical suspension pay, which are described on pages 14 and 15 respectively. The Historical Matters related costs are broken down in more detail in note 4 to the financial statements.

Group Litigation Order

On 11 April 2016 a High Court claim was issued on behalf of a number of Postmasters against Post Office in relation to various legal, technical and operational matters (the "Group Litigation Order", "Group Litigation", "GLO").

On 10 December 2019 the parties reached a comprehensive resolution of the Group Litigation. This included a settlement payment of £52 million which was recognised within exceptional items in 2019/20, in addition to a payment of £6 million made for claimant legal costs and disbursements in June 2019, which was recognised in exceptional items in 2018/19.

Post Office incurred a further £1 million of legal costs in the year (2020: £20 million). The total amount recognised within exceptional items in respect of the Group Litigation is £1 million (2020: £72 million). These costs were funded by Post Office through operational cashflows.

Historical Shortfall Scheme

As part of the settlement reached with the claimants in the Post Office Group Litigation (see above), 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, known as the HSS. The agreement to establish this scheme in December 2019 was deemed to be a triggering event on which to recognise a provision.

The HSS launched on 1 May 2020 and officially closed for applications on 14 August 2020 (although late applications have been accepted in exceptional circumstances). As at 25 April 2022, the HSS had received 2,369 eligible applications from current and former Postmasters. Of these, 434 are quantified, 1,601 are partly quantified and 334 are unquantified claims, representing an increase in the number of quantified claims in the year. HSS is now closed to new applications.

A provision of £150 million (2020: £153 million) has been retained in respect of the HSS, with the reduction on prior year being driven by payments made in year and changes in management estimates following assessments made by the independent panel which makes recommendations on claims made to the scheme. This represents management's latest and best estimate of the potential future payments associated with the claims received. The provision requires a number of significant estimates and assumptions by management, with the level of estimation risk increased as a result of the volume and range of claims received and the relatively early stage of the settlement process, with 952 claims settled to date since the scheme opened.

The HSS payments will be partially funded by Government, with Government having agreed in March 2021 to provide sufficient financial support to Post Office to ensure that the scheme can proceed. An asset of £64 million (2020: £nil) has been recognised in the year in respect of the portion of the HSS provision which will be funded by Government. The difference between the provision and asset values will be funded by Post Office through its trading cashflows and cashflows from the sale of the Telecoms business. As guaranteed funding was in place at the balance sheet date the accounting requirements for asset recognition were met.

Further details regarding the HSS and the estimates made by management in deriving the provision value are included in the critical accounting estimates section in note 1 to the financial statements.

Overturned Historical 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 (collectively "Postmasters") to the relevant appeal courts to decide if these convictions should be overturned on the grounds of abuse of process.

Since the CCRC's announcement in March 2020, the Court of Appeal Criminal Division ("CACD") and the Southwark Crown Court have overturned 72 convictions prosecuted by the Post Office (together, "the Appeals"). As at 25 April 2022, the CACD and Southwark Crown Court will each consider 1 further appeal against convictions and the CCRC is reviewing a further 31 applications to refer convictions for appeal.

In accordance with its duties as a former prosecutor, Post Office has made or is seeking to offer post-conviction disclosure to 706 Postmasters who have historical convictions, prosecuted by Post Office, to enable them to decide whether they wish to appeal their convictions. Disclosure has to date been made for 269 Postmasters. It is not known how many additional Postmasters will seek to appeal their convictions in due course. Post Office is also liaising with other prosecution agencies to offer assistance in cases that were not prosecuted by Post Office but where evidence from Horizon may have been relied upon.

Since 11 December 2020, when the Southwark Crown Court overturned the convictions of the first 6 Postmasters, Post Office has received correspondence on behalf of individuals intimating their intention to seek civil compensation. Post Office is committed to compensating Postmasters fairly and expeditiously and its legal representatives have been in continued dialogue with the professional advisors representing the interests of those who have been acquitted. To date no civil proceedings have been issued in the courts by former Postmasters.

Management's view is that liabilities arising from any future civil claims or requests for compensation arising out of the overturned convictions to date represent a probable obligation arising from past events. Post Office making its decision in 2020/21 not to oppose a number of appeals was deemed to be the triggering event for liability recognition. The triggering event is deemed to apply to the full population of claimants or potential claimants, and not only those who have or are currently appealing convictions.

As such, a provision of £502 million (2020: £nil) has been recognised in respect of the Overturned Historical Convictions ("OHC"). This represents management's latest and best estimate of the potential future payments associated with civil claims which may be received, assessed across the whole population of potential claimants. The provision requires a number of significant estimates and assumptions by management, principally relating to the potential number of claimants and the potential settlement amounts. The level of estimation risk increased as a result of the early stage of the proceedings.

Government has confirmed it will provide funding in respect of future payments arising as part of the OHC, see the going concern section of note 1 to the financial statements for further details. An asset has not been recognised in respect of Government funding, as guaranteed funding was not formally in place at the balance sheet date and thus the accounting requirements for asset recognition were not met.

Postmaster Remediation

Historically, 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 the year, a decision was taken by the Directors to provide redress to those Postmasters historically impacted. The means by which redress will be provided is still being determined. Liabilities arising from any future redress represent a probable obligation arising from past events.

A provision of £59 million (2020: £nil) has been recognised, representing management's best estimate of potential future payments to be made to Postmasters for retrospective suspension remuneration. The provision requires a number of significant estimates and assumptions by management, with the level of estimation risk increased as a result of the period of time for which the previous policy was in operation and because the means of any remediation is to be determined. Further details regarding the provision estimate can be found in note 1 to the financial statements.

As part of ongoing internal reviews into historical operational processes it is possible that other historical policies and processes may be identified that may previously have led to some Postmasters being financially impacted. Until such historical policies and processes are identified and any associated financial impact is confirmed, we are unable to determine whether any liability that could arise in the future will have a material adverse impact on the consolidated position of the Group. While no provision or contingent liability has been recognised, as there is no triggering event for recognition, the Directors are including this statement for transparency to stakeholders and continue to keep this under close review.

COVID-19

As a result of the COVID-19 pandemic, additional one-off costs were incurred during 2020/21 amounting to £9 million (2020: £nil). The majority of costs related to ensuring our branch network complied with health and safety standards, as our Postmasters, where possible, kept branches open to serve their communities. This included purchase and distribution of personal protective equipment, cleaning supplies, screens and signage.

Other

The remaining exceptional costs of £7 million (2020: £7 million) relate to costs associated with defending an Employment Tribunal claim, for which a contingent liability was disclosed in prior years but has since been derecognised, see note 20 to the financial statements for further details.

Investments and capital spend

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

	2021 £m	2020 £m
Investment funding	**-**	42
Restructuring:		
Business transformation	**(6)**	(10)
Network programmes	**5**	(66)
IT transformation	**(12)**	(2)
Severance	**(16)**	(7)
Total restructuring costs	**(29)**	(85)
Impairment	**(8)**	(27)
Unwinding of discount on provisions	**-**	(1)
Discontinued operation*	**(6)**	(6)
Total investment charge	**(43)**	(77)

* Relates to costs in respect of the discontinued operation, see note 21 to the financial statements for more detail.

Investment funding of £42 million was received from the Department for Business, Energy and Industrial Strategy ("BEIS") for transformation activities in 2019/20. No investment funding was received from BEIS in 2020/21.

Total restructuring costs excluding discontinued operations reduced from £85 million to £29 million, with the majority of spend being severance in relation to ongoing programmes to transform the business, driving Post Office toward commercial sustainability.

In the year, following the impact of the COVID-19 pandemic on trading, it was deemed prudent to impair the carrying value of the goodwill and the investment held in Payzone Bill Payments Limited. An impairment of £8 million (2020: £27 million, in relation to £17 million goodwill held in Post Office Management Services Limited and £10 million of Post Office Limited software assets) was recognised in relation to goodwill in the Group accounts. An impairment of £14 million (2020: £17 million) has been recognised in the Post Office Limited Company accounts in relation to investments held in subsidiaries for Payzone (2020: Post Office Management Services), see note 5 in the Company financial statements on page 131. The Group still recognises the value that Payzone brings, through joint contracts, increased footfall and technology sharing amongst other items.

In addition, we have incurred £53 million (2020: £90 million) of capital spend, which includes right-of-use assets, primarily on IT transformation projects, as disclosed in notes 9 and 10 to the Group financial statements.

Total profit

The continuing operations and discontinued operations results combine to give a loss after tax of £597 million (2020: loss of £305 million).

Full results are set out on page 66 and further commentary on key aspects are outlined below.

Net liabilities

The Group ended the year with net liabilities of £656 million (2020: £57 million). This £505 million increase in net liabilities was driven primarily by the recognition of the £502 million provision for Overturned Historical Convictions and the Postmaster Remediation provision of £59 million. In addition, total investment costs of £43 million (2020: £119 million) were incurred with no investment funding received from Government in 2020/21. 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 £365 million (2020: £462 million) at the year-end. There was a net cash outflow during the year of £97 million (2020: £110 million).

Operating activities resulted in a net cash inflow of £66 million (2020: outflow of £63 million) which was driven primarily by favourable working capital movements.

Post Office Limited seeks to minimise the amount drawn down on the loan from BEIS in order to reduce its interest cost. The facility is limited to a maximum of £950 million, the unused facility at the end of the year was £524 million (2020: £333 million). The maximum drawn down under the facility during the year was £637 million in April 2020.

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. At year-end headroom sat at £224 million (2020: £64 million), the increase driven by improved trading when compared with March 2020, which saw a decline in cash transactions as a result of the COVID-19 pandemic. No breaches in headroom occurred in the year.

The facility was renewed in 2021, with a 3-year term to 31 March 2024 being agreed. This renewed facility is available at one day's notice.

Post Office Limited's borrowing facility from Government limits the purposes for which the facility can be used and, together with borrowing limits contained in the Articles of Association, imposes constraints on 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 Limited has an adequate supply of banknotes to meet customer demand across its network and provides a mechanism which enables Post Office Limited to hold Bank of England owned notes. At the end of the year £240 million (2020: £276 million) of Bank of England owned notes were held. See note 23 to the financial statements for further details on the NCS.

During the year, Post Office also had an arrangement in Scotland with a commercial banking partner whereby surplus Scottish notes are sold to the partner overnight for repurchase the next day. This arrangement came to an end in December 2020 and therefore no balance was outstanding at year-end (2020: £11 million).

Pensions

Post Office Limited is the principal employer of the Post Office Section of the Royal Mail Pension Plan ("RMPP"), which is independent of the Royal Mail section of the RMPP. Royal Mail Group Limited is the principal employer of the Royal Mail Senior Executives Pension Plan ("RMSEPP") and Post Office Limited is a participating employer within RMSEPP. RMPP and RMSEPP are both defined benefit plans. Both defined benefit plans are closed to new members and closed to future accrual. The history of these schemes can be found in note 18 to the financial statements. The Post Office operates a defined contribution scheme – the Post Office Pension Plan.

The deficit payments into RMSEPP were historically agreed with the pension trustees and payments were made in accordance with the agreements. Net cash payments made in 2020/21 amounted to £18 million (2020: £19 million) and related to regular pension contributions.

The income statement charge for the year in relation to the defined contribution scheme was £11 million (2020: £12 million). The income statement charge for the year in relation to the defined benefit schemes was £2 million (2020: £1 million). 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 statement is included within the Governance section on pages 28 and 29.

Alisdair Cameron

Group Chief Finance Officer

29 April 2022

Corporate Governance

Legal Ownership and Structure

Post Office Limited ("the Company"), is wholly owned by BEIS, who hold a special share in the Company, the rights of which are enshrined within the Post Office Limited Articles of Association (http://corporate.postoffice.co.uk/).

BEIS does not have day-to-day involvement in the running of the Company but monitors performance, particularly the Company's compliance with the minimum network access criteria and the provision of specified services, through UK Government Investments ("UKGI").

The Framework Document introduced in April 2020 describes certain parameters within which Post Office is expected to operate, certain obligations with which Post Office is expected to comply, and certain aspects of the relationship between the Special Shareholder, the Shareholder's Representative (UKGI) and Post Office and how it is expected that these parties will interact with each other.

Corporate Governance Overview 2020/21

The Company maintains standards of corporate governance appropriate for our ownership structure, commitment to social purpose and strategy to achieve commercial sustainability. We review our corporate governance arrangements to ensure they remain appropriate for our developing business needs and relevant legal and regulatory advances. Post Office Limited is not a listed company, but we seek to comply with the requirements of the 2018 UK Corporate Governance Code ("UKCGC") and the Corporate Governance Code for Central Government Departments, where these are relevant to us as a limited company with a Government owner. The departures from either Code are where the provision does not apply to Post Office Limited because it is not a listed company and it is not a central Government department or an arms' length body and it does not sensibly apply to it, for example the annual re-election of Directors, whose appointments are approved by the Shareholder. In addition, the Non-Executive Director (Tom Cooper) who is the Shareholder Representative serves as a member of the Audit, Risk and Compliance Committee and the Remuneration Committee but is not an independent Non-Executive Director. Since Post Office Limited has a single shareholder, the involvement of the Shareholder Representative on the Board and its principal Committees is seen as important to the provision of assurance to the Shareholder and therefore we have elected not to comply with provision 24 and 32 of the 2018 UKCGC which stipulate that only independent Non-Executive Directors should be members of the Audit and Remuneration Committees respectively.

Board of Directors

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

During 2020/21 the Board comprised a Non-Executive Chairman, the Group Chief Executive Officer, the Group Chief Finance Officer, the shareholder appointed Non-Executive Director and four independent Non-Executive Directors (one of whom is designated the Senior Independent Director). Non-Executive Directors are not employees of Post Office Limited but provide services under the terms of an individual letter of appointment, signed at the commencement of their directorship. Since year-end, Saf Ismail and Elliot Jacobs, two serving Postmasters, joined the Board on 3 June 2021, Ben Tidswell joined the Board on 27 July 2021 and Brian Gaunt joined the Board on 25 January 2022. Ken McCall stepped down from the Board on 25 January 2022 having served two terms as a Non-Executive Director and as the Senior Independent Director. Board members during the year ended 28 March 2021 and up to the point of signing are shown below.

Tim Parker

Chairman, Chairman of the Nominations Committee and member of the Remuneration Committee

Joined the Board 1 October 2015

Ken McCall

Senior Independent Director, Chairman of the Remuneration Committee and member of the Audit, Risk and Compliance and Nominations Committees

Joined the Board 21 January 2016

Stood down from the Board 25 January 2022

Tom Cooper

Non-Executive Director, and member of the Audit, Risk and Compliance, Remuneration and Nominations Committees

Joined the Board 27 March 2018

Carla Stent

Non-Executive Director and Chair of the Audit, Risk and Compliance Committee

Joined the Board 21 January 2016

Zarin Patel

Senior Independent Director (from 26 January 2022) and member of the Audit Risk and Compliance Committee.

Joined the Board 26 November 2019

Lisa Harrington

Non-Executive Director, Chair of the Remuneration Committee (from 26 January 2022) and member of the Nominations Committees.

Joined the Board 8 April 2020

Saf Ismail

Non-Executive Director and Postmaster

Joined the Board 3 June 2021

Elliot Jacobs

Non-Executive Director and Postmaster

Joined the Board 3 June 2021

Ben Tidswell

Non-Executive Director and Chair of the Historical Remediation Committee.

Joined the Board 27 July 2021

Brian Gaunt

Non-Executive Director

Joined the Board on 25 January 2022

Nick Read

Group Chief Executive Officer

Joined the Board 16 September 2019

Alisdair Cameron

Group Chief Finance Officer

Joined the Board 28 January 2015

Veronica Branton

Company Secretary

Appointed as Company Secretary 26 July 2019 and left Post Office on 21 March 2022

Rachel Scarrabelotti

Interim Company Secretary

Appointed as Company Secretary 12 April 2022

Non-Executive Directors are usually appointed for an initial term of three years with the scope to renew for a second term, subject to Board approval and the approval of BEIS. As the Shareholder Representative, Tom Cooper's appointment period is determined by the Secretary of State for BEIS. Biographies of all current members of the Board can be found on the Post Office website.

Board

Role and responsibilities

The Board is accountable to BEIS, as the sole shareholder, for the performance of the Company and is required to seek consent for certain matters, as included in the Articles of Association. The Shareholder is briefed regularly on the performance of the business and the progress made towards delivering the strategy, including at quarterly accountability meetings. A 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 the Group Executive 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 website.

The Board reviews the strategy and approves the annual budget and business plan required to deliver the strategic objectives for that year. The Board regularly reviews reports on performance against that plan and receives periodic 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.

In setting the risk appetite for Post Office Limited the Board has established a framework to manage and mitigate risk. The Board takes guidance from its Audit, Risk and Compliance Committee, and has oversight of risk management. This Committee receives reports from the Compliance Director, the Head of Risk and the Legal Director as well from operational management and the Internal and External Audit teams. Further detailed information on the Management of Risk within Post Office Limited, together with identification of enterprise risks, their impacts and mitigation can be found in the Management of Risk section on pages 45 to 50.

Key focus and developments in 2020/21

During the year to 28 March 2021, the Board continued to oversee Post Office Limited's strategic plan to deliver and develop services across its network, meet its access criteria and promote commercial sustainability.

At the end of the 2019/20 financial year, the impact of the COVID-19 pandemic had started to emerge and the Board oversaw Post Office's response through two workstreams: one focusing on the initial response (protecting the work force and Postmasters, serving our elderly and vulnerable customers, keeping branches open and the supply chain moving) and the other on the longer-term aim of ensuring Post Office's future resilience. The Board approved a 100% remuneration guarantee for non-multiple branches in April 2020, a 90% guarantee for May 2020 and a 15% top up to variable pay in June 2020; this was in addition to an earlier guarantee that fixed pay would continue, and the approval of funding to supply personal protective equipment to branches. Regular updates on the response to the COVID-19 pandemic were provided to the Board during the year. Over 90% of the branch network remained open during 2020/21.

The Board monitored the trading position carefully throughout the year, received advice where appropriate, received updates on discussions with major creditors and sought and received waivers in relation to security headroom and branch network numbers from the Shareholder on two occasions during the year. A baseline plan for 2020/21 and a four-year outlook were agreed in May 2020 but with considerable uncertainties around trading it was recognised that these figures would need to be monitored closely and revisited during the year. A reforecast budget for 2020/21 was approved by the Board in September 2020 and at year-end a trading profit of £35 million was achieved. The Board submitted its draft funding proposal for 2021-24 to BEIS for consideration and review in July 2020 and agreed a revised four-year plan in August 2020. Government announced in November 2020 that there would be a one-year funding settlement for 2021/22 rather than a three-year funding settlement. The Treasury approvals associated with the funding arrangements for Post Office were agreed by the Board in January and March 2021. The Board discussed the draft budget for 2021/22 in January and March 2021.

In April 2021 the Board approved a strategy to replace the Bank of Ireland ATM network with a network of ATMs owned and operated by Post Office Limited under a new commercial and financial framework. This followed the Bank of Ireland's decision not to continue providing the service after March 2022. Post Office Limited sees the provision of cash to its customers and on behalf of its Banking Framework clients as a core Post Office service which it delivers through counter services and ATMs.

Following discussions during the year, the Board approved the main terms of the second Mails Distribution Agreement ("MDA2") with the Royal Mail Group ("RMG") in November 2020 and it delegated authority to the Chief Executive Officer and Group Chief Commercial Officer to finalise the contract. The new 10-year agreement came into force in March 2021, changing from volume-based remuneration to value-based remuneration. Whenever Royal Mail puts up customer prices, Postmasters will see the benefit reflected in their remuneration. MDA2 also introduces new flexibility to innovate in mails and allows us to open our UK-wide branch network to other carriers. The Board supported the development of Pick Up and Drop Off ("PUDO") services and in 2021 contracts were signed with Amazon and DPD.

The Board agreed that Post Office Limited should enter exclusive negotiations with Shell Energy on the sale of its Telecoms business in December 2020 and the sale was completed in March 2021. The sale of the business aligned with the strategy of focusing on core product offerings.

Work continued during the year on plans to move Post Office Limited's IT system from data centres to a new cloud-based system, on an incremental basis, and the Board approved funding for this in July 2020 and in January 2021. The Board also agreed an extension to the contract with Fujitsu to provide support for any elements of the Horizon system remaining in 2023/24 where services had not migrated to the new cloud-based system. During the autumn and spring of 2020/21, a Business Transformation Unit was set up to support the New Branch IT programme through which a cloud based IT system will be delivered.

The Board approved the 2019/20 Network Report in September 2020; this confirmed compliance with the Entrustment Letter and Funding Agreement for provision of the agreed access criteria, such as the number of Post Office branches, as at March 2020. In that month, the Board also approved the Modern Slavery Act Transparency Statement for 2020/21 and the proposed actions to evaluate suppliers, introduce mandatory training to raise awareness of modern slavery and produce guidelines on reporting suspicions. The Board approved its Risk Policy in January 2021.

Post Office Limited entered into a settlement agreement on 10 December 2019 with the 555 Postmasters who had brought a High Court claim against the company, which was managed by the Court through a Group Litigation Order ("GLO"). A public apology was made to the Postmasters with whom the settlement was reached for the serious historical failings. In addition to the financial settlement it was agreed that Post Office Limited would set up a scheme to seek to compensate any Postmaster who had suffered a historical shortfall. The HSS was subsequently set up in May 2020. A Stamps Reconciliation Scheme was also set up in July 2020. An independent advisory panel assesses and makes recommendations to Post Office on fair outcomes for HSS applications, while the Board has oversight of the overall management of the HSS. The Board approved the submission of a funding proposal to BEIS for the HSS in November 2020 as the volume and potential quantum of claims meant that Post Office Limited would not be able to fund the costs without Government support. The Board approved interim payments being made under the HSS in distress cases in October 2020, and the commencement of payments from January 2021, once the Company had secured associated Government funding.

In March 2020 the Criminal Cases Review Commission ("CCRC") referred the first cases prosecuted by Post Office Limited to the Court of Appeal Criminal Division ("CACD") for appeal. As at 25 April 2022, 72 convictions have been set aside, 38 convictions have been upheld or had unsuccessful appeals, 1 further appeal is being considered and the CCRC is reviewing a further 31 applications to refer convictions for appeal. Where Post Office Limited was the prosecutor, it has a duty to respond to each appeal setting out its stance on them. The Board reviewed all the appeals and supported the overturning of those cases where it recognised and accepted that the individuals could not have received a fair trial. On 23 April 2021 the CACD delivered a judgment allowing 39 appeals and dismissing 3, concluding that Post Office Limited's failures to investigate and disclose problems with or concerns about Horizon were so egregious as to make the prosecution of any "Horizon case" an affront to the conscience of the court. Post Office Limited apologised to all those whose convictions are overturned, and recognises that many individuals had been fighting for justice for a considerable length of time and not all had lived to see their convictions quashed. Post Office Limited continues to respond to appeals by applying the CACD's guidance. Further details can be found in the disclosures surrounding Overturned Historical Convictions on page 14.

The Board has also overseen a Post-Conviction Disclosure Exercise ("PCDE") which reviewed more than 3.8 million documents to identify the generic and case specific information to be disclosed to those who have appealed or may wish to appeal a historic prosecution brought by Post Office Limited. Steps have been and continue to be taken to contact all those who Post Office Limited prosecuted historically and that may have relied on evidence from the Horizon system so that disclosure can also be made to them.

Extensive programmes of work were undertaken during the year and have continued into the 2021/22 financial year to make sure that Post Office Limited not only complies with the findings of the Common Issues Judgement ("CIJ") and Horizon Issues Judgement ("HIJ"), but goes beyond these, to develop a successful modern franchise that runs in partnership with Postmasters and other partners. This entails cultural change, not just changes to systems and processes. The Board made a number of decisions to support this change with a particular focus on Postmaster engagement and support, including:

- Launching a Postmaster consultation in September 2020, which included questions on Postmaster participation in decision-making, one result of which was the appointment of two Postmasters to the Board. Saf Ismail and Elliot Jacobs joined the Board in June 2021 following an independent appointment process, with the Postmaster community voting for the shortlisted candidates;
- Issuing a Postmaster Support Guide in July 2020 which set out the changes Post Office had made to reflect the Common Issues Judgment;
- Revising the Operations Manual, to make this clearer and easier to use as a document which Postmasters need to refer to regularly;
- External assurance reports were commissioned by the Board to test conformance with the findings of the Common Issues and Horizon Issues judgments; and
- BranchHub was further developed as a source of information and support for Postmasters.

Conflicts of Interest and Independence

In accordance with the Companies Act 2006, the Articles of Association give the Directors power to authorise conflicts of interest. During the period, none of the Directors had a material interest in any contract of significance with Post Office Limited or any of its subsidiaries.

At all times during the periods of their appointments in 2020/21, the independent Non-Executive Directors met the criteria for independence set by the Board.

Post Office Limited has arranged appropriate insurance cover in respect of legal action against Directors of Post Office Limited and its subsidiaries.

Tim Parker, Chairman of Post Office Limited was independent at appointment. Ken McCall, Carla Stent, Zarin

Patel and Lisa Harrington are considered independent Non-Executive Directors. Tom Cooper is not an independent Non-Executive Director as he is a shareholder representative. Nick Read and Alisdair Cameron held executive roles throughout the financial year, and as such were not independent Directors. Saf Ismail and Elliot Jacobs joined the Board on 3 June 2021, after the end of the reporting period, and as serving Postmasters are not independent Non-Executive Directors. Ben Tidswell joined the Board on 27 July 2021, after the end of the reporting period, and is considered an independent Non-Executive Director. Brian Gaunt joined the Board on 25 January 2022, after the end of the reporting period, and is considered an independent Non-Executive Director.

Board Meetings

During 2020/21 the Board met 52 times (including additional meetings held either in person or virtually). A record of Directors' attendance (attended/eligible to attend) at the Board and its Committees is set out in the table below:

Director	Board	Board (additional)	Audit, Risk & Compliance Committee	Nominations Committee	Remuneration Committee
Chairman					
Tim Parker	10/10	42/42	7/8	5/5	7/7
Executive Directors					
Nick Read	10/10	41/42	5/8	-	6/7
Alisdair Cameron	10/10	35/42	8/8	-	-
Non-Executive Directors					
Ken McCall (Senior Independent Director)	9/10	38/42	7/8	5/5	6/7
Tom Cooper (note 1)	10/10	42/42	8/8	1/1	7/7
Lisa Harrington (note 2)	10/10	36/41	-	5/5	7/7
Zarin Patel	10/10	41/42	8/8	-	-
Carla Stent	10/10	35/42	8/8	-	-

Note 1: Tom Cooper was appointed as a member of the Nominations Committee on 30 March 2021.

Note 2: Lisa Harrington was appointed as a Non-Executive Director on 08 April 2020.

All Board and Committee meetings were quorate, with a majority of independent Non-Executives present.

Committees

To assist in the execution of its corporate governance responsibilities, the Board has established three committees which deal with specific topics requiring independent oversight. The Audit, Risk and Compliance; Nominations; and Remuneration Committees are each chaired by an independent Non-Executive Director. In August 2021, after the end of the reporting period, the Board established a Historical Remediation Committee to oversee the ongoing work to compensate Postmasters whose cases have been overturned by the Court of Appeal, to approve Respondent's Notice in relation to new appeals and to oversee the running of the Historical Shortfall Scheme.

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

Reference. The reviews conducted in February and April 2021 raised no material issues.

Terms of Reference for the committees are available on the Post Office Limited website.

Nominations Committee

Role and Membership

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

The Committee is chaired by Tim Parker, Chairman, and the other members during the year were Ken McCall, Senior Independent Director, and Lisa Harrington, Non-Executive Director, who was appointed to the Committee on 8 April 2020. Tom Cooper, Non-Executive Director, was appointed to the Committee on 30 March 2021, after the year-end.

The Group Chief Executive Officer ("CEO") and Group Chief People Officer also attend meetings at the invitation of the Committee Chairman.

Work of the Committee in 2020/21

During the year the Committee considered the recommendations from the 2019/20 annual Board and Committee review and reviewed progress in implementing these in September 2020 following which a number of additional board briefing sessions were scheduled. The Committee reviewed the s172 Statement for the 2019/20 Annual Report and Accounts.

Succession planning requirements for the Board were considered in February 2021 and the appointment process and role description for a new Non-Executive Director were approved. The Committee re-appointed the Chair of Post Office Insurance for a three-year term starting in March 2021.

The appointment process and brief for an external facilitator for the 2020/21 Board and Committee reviews were approved in September 2020. The Committee met with the shortlisted firms and in December 2020 appointed Independent Audit Limited to carry out the review.

The Committee approved a number of appointments to the Group Executive. The annual review of terms of reference was carried out in February 2021.

Remuneration Committee

Role and Membership

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

The Committee was chaired by Ken McCall, Senior Independent Director, during the reporting period, and the other members during the year were Tom Cooper, Non-Executive Director, Tim Parker, Chairman of Post Office Limited and Lisa Harrington, Non-Executive Director, who joined the Committee on 8 April 2020. Lisa Harrington became Chair of the Committee on 26 January 2022 after Ken McCall stepped down after completing his second term of office.

In accordance with the Terms of Reference, the CEO may attend meetings, at the invitation of the Committee Chairman, to discuss matters relating to the remuneration of the Group Chief Finance Officer ("CFO") and other members of the Group Executive. However, the Committee 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 Shareholder approves the remuneration of the Executive Directors and determines fees for Non-Executive Directors. The Group Chief People Officer also attends Remuneration Committee meetings at the invitation of the Chairman.

Work of the Committee in 2020/21

During the year the Committee reviewed the performance ratings for the Group Executive proposed by the CEO and approved the calculation methodology for the 2019/20 STIP and the 2017-20 LTIP. A 50% reduction was applied to the Executive Directors' payments, which are subject to Shareholder approval, and a 20% reduction to the Senior Leadership Population. These payments were deferred until the Annual Report and Accounts for 2019/20 had been approved for signing. No payments were made under the 2019/20 Post Office Insurance STIP because the gateway criteria were not met.

The Committee decided that an STIP scheme would not be launched in 2020/21 or an LTIP scheme for 2020-23 at the start of the year given the trading uncertainties and consequent difficulties in setting budget assumptions. In November 2020 it was agreed that no 2020/21 STIP or 2020-23 LTIP would be launched but a Transformation Scheme covering the period from April 2020 to January 2022 would be launched.

The Committee discussed and approved the Directors' Remuneration Report ("DRR") for the 2019/20 Annual Report and Accounts and discussed the DRR for 2020/21 which would include the CEO pay ratio.

Willis Towers Watson were appointed as remuneration advisers to the Committee in September 2020.

The Committee approved changes to the STIP and LTIP schemes rules following a review to benchmark these against best practice, including the provisions on malus and clawback and a revision to the definition of "good leaver".

The Committee approved remuneration packages for a number of members of the Group Executive. The objectives for the CEO in 2020/21 were approved.

Updates were received on people matters, including people engagement and Post Office Limited employee engagement activities during the COVID-19 pandemic and the employee engagement plans post COVID-19. The Committee also received regular updates on Postmaster engagement.

The annual review of terms of reference was carried out in February 2021. No changes were proposed, as the terms of reference had been revised in April 2020 in line with the adoption of the new Post Office Limited Articles of Association and UKGI Framework Document.

Audit, Risk and Compliance Committee

Role and Membership

The duties and responsibilities of the Audit, Risk and Compliance Committee are included in the Terms of Reference which are available on the Post Office Limited website.

The Committee is chaired by Carla Stent, Non-Executive Director, and the other members during the year were Ken McCall, Senior Independent Director, Tom Cooper, Non-Executive Director, and Zarin Patel, Non-Executive Director.

The Board considers that the Committee's members have broad commercial knowledge and extensive business leadership experience, in addition to which Carla Stent, Tom Cooper and Zarin Patel are qualified chartered accountants, which it believes constitutes an appropriate mix of business and financial experience and expertise.

The CEO, CFO, General Counsel, Compliance Director, Head of Risk and Head of Internal Audit, or nominated deputy, attended all of the meetings of the Committee. The Committee Chair held regular meetings with each of these individuals during the year. The external auditor was invited to, and attended, all meetings of the Committee.

The Audit Risk and Compliance Committee members held separate meetings with the Head of Internal Audit and with the external auditors without management present during the year.

Further detailed information on the management of risk within Post Office Limited, together with identification of principal risks, their impacts and mitigation, can be found in the Management of Risk section on pages 45 to 50.

Work of the Committee in 2020/21

With the onset of the COVID-19 pandemic, the Committee agreed a re-prioritised internal audit plan in May 2020, which focused on the areas of greatest risk. It also considered Post Office's changed risk profile in light of the COVID-19 pandemic and the implications as a result of historical matters, recognising the immediate financial, commercial and people risks. Updates were also received from Post Office Management Services Limited, including on its decision to suspend the sale of travel insurance in March 2020 and refunds for existing customers.

The revised 2020/21 internal audit programme provided for significant focus on Postmaster processes and the Postmaster agenda. The following Postmaster-focused audits were approved by the ARC in May 2020 and were all delivered during the financial year:

- Three reviews focusing on Post-GLO improvement activities (set-up of the new Historical Matters Unit, CIJ and HIJ).
- Validation of Postmaster data used by the Historical Shortfall Scheme.
- An audit of Postmaster Reporting, which assessed the provision of management information to Postmasters.
- A review of the improvements to Postmaster processes overseen by the Improvement Delivery Group ("IDG").
- A review of the BranchHub programme which will provide improved service and support to Postmasters.

In March 2021, the ARC approved the internal audit programme for 2021/22, which included the following Postmaster focused reviews (delivery of the audit programme was on track at the time of writing this report):

- Three reviews to assess progress with the Post-GLO improvement programme overseen by the IDG.
- A review of the HIJ improvement programme.
- Two reviews of Postmaster compensation schemes.
- Postmaster Remuneration Process.
- Postmaster On-boarding Process.

In the lead up to signing the 2019/20 Annual Report and Accounts ("ARA"), the Committee maintained oversight over critical accounting estimates and judgements, as well as considering the principal and strategic risks, going concern assumptions and provisions for the HSS. The ARA 2019/20 was recommended to the Board for approval to sign following an additional meeting of the Committee on 26 February 2021.

The Committee approved the annual Audit Plan 2020/21 for the internal and external auditors and approved the Internal Audit Charter.

During the course of the year the Committee reviewed and approved the following policies: Anti-Corruption and Bribery Policy; Co-operation with Law Enforcement Agencies and Addressing Suspected Criminal Misconduct Policy (for recommendation to the Board); Whistleblowing Policy; Financial Crime Policy; Anti-Money Laundering and Counter Terrorist Financing Policy; Document Retention Policy; Business Continuity Policy; Procurement Policy; Contract Execution Policy; Vulnerable Customer Policy; Physical Security Policy; HMRC Fit and Proper Policy; Business Change Management Policy; Conflicts of Interest Policy; Protecting Personal Data Policy; Freedom of Information Policy; Investigations Policy; Subsidiary Policy Mandate; Cyber and Information Security Policy; Employee Vetting Requirements Policy; Postmaster and Assistants Vetting Requirements Policy; Postmaster Account Support Policy; Postmaster Accounting Dispute Resolution Policy; and, the Network Monitoring and Audit Support Policy.

The Committee received updates on the Contract Management Framework and the proposed approach to training for contract managers.

The Modern Slavery Act Transparency Statement was approved for recommendation to the Board.

The Committee received an update on tax matters and approved the annual review of tax strategy.

Reports were provided at each of its scheduled meetings on compliance, risk, IT, change and security programmes, such as cyber security and disaster recovery testing. A separate annual report was received on legal risks. The Committee received a report from the Chair of the Post Office Management Services Limited Audit and Risk Committee at each scheduled meeting.

In addition, reports were received on data controls, an immaterial historical pension data discrepancy and the Anti-Money Laundering Annual Report. A deep dive was done on Post Office Limited's use of SuccessFactors, its human resources and payroll system. KPMG was commissioned to produce a report on Post Office Limited's historical operation of suspense accounts and the Committee reviewed the report and agreed that it should be provided for the Inquiry and for the Post-Conviction Disclosure Exercise ("PCDE"), which reviewed what information Post Office Limited held that might be relevant all Postmasters prosecuted historically where Horizon evidence may have been relied upon.

The Committee approved the renewal of the Insurance Policies for the period 1 November 2020 to 31 October 2021.

The Committee approved the Risk Policy, including the proposed approach to Risk Appetite and Key Risk Indicators for recommendation to the Board.

The recommendations from the Committee effectiveness review were discussed and approved in May 2020 and the annual review of the Committee's terms of reference was carried out in March 2021.

Board and Committee Effectiveness Review

Post Office Limited undertakes an annual review of its Board and Committees and the Senior Independent Director facilitates a discussion on the Chairman's performance. An externally facilitated review typically takes place every third year. The Board review for 2020/21 was facilitated by Independent Audit Limited, who were appointed by the Nominations Committee in December 2020 following a competitive process whereby the contract for evaluation was put out to tender and Independent Audit Limited were chosen based on their experience in reviewing a wide range of private and public-sector boards. Prior to the review, Independent Audit Limited had no connection to Post Office Limited or its Directors.

Independent Audit Limited's review involved a review of board and committee papers, observation of board and committee meetings and interviews with board members and managers who interact regularly with the Board; their report and recommendations were presented to the Board on 30 March 2021. The primary aim of the review was to provide suggestions for how the Board and its committees could develop their effectiveness in future. Independent Audit Limited did not evaluate the effectiveness of the Board's work in assessing the ongoing litigation or in formulating a response to historical matters. The report highlighted a number of current Board strengths including:

- The Non-Executive Directors and Executive Directors share a common goal of creating a sustainable and competitive Post Office for all stakeholders, while maintaining a strong social mission, with a particular focus on Postmasters;
- The Board is made up of committed and hard-working Executive and Non-Executive Directors who bring a range of relevant and complimentary skills, including expertise of mails and financial services, IT transformation and turnaround skills and experience of liaising with Government;
- The CEO is rated highly by all for his drive, communication skills and strategic vision. The refreshed Senior Leadership team is unanimously commended for their openness, transparency and readiness to consider challenge and input. This underpins the work of the Board and gives a good basis for strengthening of governance more generally;
- The Chairman and CEO are felt by all to work well together, and relationships between Non-Executive Directors more generally are constructive; and
- The Board has adapted well to not being able to meet in person and exhibits good virtual meeting practices.

The report noted the Board's focus during the year on historical matters. The main suggestions from the report related to focus and balance; composition, succession and dynamics; maintaining an effective management team; cultural transformation; risks, controls and grounded trust. As it moves forward, the Board needs to:

- Determine where it plans to spend its time with a clear forward agenda given the competing demands of historical matters, business as usual and strategy;
- Plan in advance for how it will address succession challenges, including making time to discuss the executive team with the Chief Executive and put in place a timely plan to manage the succession of some long-standing board members and to integrate new members, including the two new Postmaster Non-Executive Directors;
- Hold regular private sessions of the Non-Executive Directors without the executives and make more use of the external advisers at the Remuneration Committee;
- Allocate sufficient time to consider culture and create a face-to-face engagement plan for the Non-Executive Directors once this becomes possible as lockdown restrictions lifted; and
- Develop further the approach to Risk Management from an emphasis on risk processes and structures to allow more focus on impact and value.

In July 2021, after the reporting period, the Board discussed the report's recommendations further and adopted these with an implementation plan that will be reviewed during the year. Initial steps have included producing a Board governance map; discussions on succession planning; holding additional Non-Executive Director only sessions; involving the external adviser to the Remuneration Committee in all of its discussions and receiving a market overview at each meetings; agreeing the approach for an engagement place; and, further discussions on our approach to risk.

In addition to the annual board and committee reviews, the Board receives an annual governance report to review the matters reserved to the Board, delegated authorities, the register of interests and the reviews of performance against committees' terms of reference.

S172(1) Statement

Directors' statutory duties are set out in the Companies Act 2006. The primary duty of the Directors is to promote the success of the Company for the benefit of its Government shareholder and the wider stakeholder community.

The Board has sought to pay regard to its key stakeholders and to promote the long-term success of the Company when taking decisions, as required under s172 of the Companies Act 2006. The Company is owned by Government and strives to be commercially sustainable while delivering a social purpose. It seeks to do this formally through meeting a number of measures agreed with the Shareholder, including the provision of core services across the network, such as access to cash and mails.

The Shareholder has appointed a Non-Executive Director as the Shareholder Representative on the Board. The Chairman and CEO meet regularly with the Minister who has responsibility for the Post Office and with senior officials at BEIS and UKGI. The Senior Independent Director during the reporting period was also the designated Non-Executive Director for employee engagement and other Directors have attended employee events to support initiatives such as the conferences Post Office held on International Women's Day in 2020 and 2021.

The COVID-19 pandemic has meant that the Board and the business have needed to adapt quickly to new working practices, changes in risks and the implementation of measures needed to help keep the network open to provide vital services to customers. Over 90% of the network operated through the period and support for vulnerable customers continued. The extensive branch network, including outreach services, meant that journeys that might otherwise be made by customers could be avoided through use of a local Post Office.

The Business seeks to build and maintain strong working relationships with its suppliers, and adhered to the Payment Practices requirements, paying 85% of its invoices within 30 days in the first half of the financial year, and 95% of its invoices within 30 days in the second half of the financial year.

The Board considered and approved funding to support Postmasters in keeping their branches open, including a 100% remuneration guarantee for non-multiple branches in April 2020, a 90% guarantee for May 2020 and a 15% top-up to variable pay in June 2020 based on May trading figures. Steps were taken to keep Post Office services running while protecting colleagues and customers through additional hygiene measures, the supply of personal protective equipment, social distancing in branches and alteration to some branch opening hours. Post Office also set up additional services to allow more vulnerable or self-isolating customers who could not collect cash in branch to nominate a friend to do so, as well as providing a special home delivery service supporting Department of Work & Pensions benefit payments direct to their customers. A hardship payment scheme was announced in May 2020 to which independent Postmasters experiencing severe financial issues caused by the impact of the COVID-19 pandemic on trading could apply. No employees were furloughed during 2020/21 and those who needed to shield and could not work from home received full pay. Colleagues' views were sought through surveys at regular intervals and feedback factored into decisions taken on matters such as the provision of office space for those for whom working from home was very difficult, and on the best approach to returning to some measure of office working. Additional prominence was given to well-being with access to a number of means of support and the introduction of an "Empower hour" to promote taking a break from screen-based meetings during the day.

The branch visits that normally take place during the year to meet Postmasters and our multiple partners were disrupted during 2020/21 but members of the Group Executive, including the CEO and CFO, continued to make branch visits, where permitted, under the rules on avoiding unnecessary travel. A fuller programme of engagement with partners and employees has been scheduled for Board Directors in 2021/22 as restrictions on travel are lifted.

The Board received information on customer satisfaction metrics and considered the feedback from the Postmaster consultation run in November 2020.

Board debates are informed by structured papers which consider the stakeholder impact and potential risks associated with proposals recommended to the Board.

A new Mails Distribution Agreement with the Royal Mail Group came into force in March 2021. Mails revenue is a principal income stream for Post Office so entering a 10 year deal provides a strong platform for the business and supported a long-term view of the services it would operate and how it could grow through the ability to enter partnerships with other carriers.

The Board took a number of significant decisions during the year which were driven by the imperative of addressing Post Office Limited's historical failings as a private prosecutor and the positive ambition to create a modern franchise in partnership with Postmasters and our multiple partners. There is recognition that there needs to be the right culture as well as the right processes and support. This provided the context for the Board's commitment to strengthening engagement with Postmasters further and making sure that Post Office is Postmaster and customer focused. As well as strengthening engagement with Postmasters generally through continued area manager visits, the introduction of roadshows and co-creation groups and through a consultation launched in November 2020, the Board also appointed Saf Ismail and Elliot Jacobs, who are Postmasters, to the Board in June 2021. Access to help and support, on-boarding, training and materials for Postmasters have been revised to make them better, clearer and simpler and this work will continue with more information and resources being added to BranchHub and improvements being made to the Support Centre.

Remuneration Committee Chairman's Statement

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2020/21. This report outlines the remuneration framework that the Remuneration Committee ("the Committee") has followed and sets out the activities of the Committee for the financial year ending 28 March 2021. It discloses the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Post Office.

The Committee oversees all aspects of pay for the Executive Directors and the Board of Post Office, and the details of remuneration packages for the Group Executive team. The Committee's recommendations and decisions in 2020/21 reflect its remuneration policy, which is designed to enable the Post Office to attract, motivate and retain high-calibre staff by offering both fixed and variable pay to reward commercial outcomes, whilst being sensitive to Post Office's position as a Government owned business.

This Remuneration Report is presented in four sections:

1. Statement by the Chair of the Remuneration Committee
2. Summary of Directors' remuneration policy
3. The annual report on remuneration
4. Fairness, diversity and wider workforce considerations

Governance context

Whilst not a legal requirement for Post Office, we remain committed to considering the application of the 2018 Corporate Governance Code to our policy and disclosures, to the extent that it is relevant and practicable to do so. In response to the updated reporting requirements for Directors' Remuneration, this year we include the CEO pay ratio for the first time together with overview information on the comparison in pay change between the CEO as compared to the general workforce.

This report has been prepared in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, and The Companies (Miscellaneous Reporting) Regulations 2018, the 2018 Corporate Governance Code, which apply to listed companies of similar size and complexity to Post Office, along with best practice disclosure for unlisted companies, and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019.

Shareholder engagement

The Committee works proactively with UKGI on behalf of the Shareholder, BEIS. Tom Cooper, the Post Office shareholder Board member, is a member of the Committee. The Committee works closely with BEIS on developments of the remuneration aspects of corporate governance generally, as well as any changes to the Company's executive pay arrangements in particular. All remuneration for the Executive Directors, and the Non-Executive Directors, requires BEIS approval.

Committee activity in 2020/21

During 2020/21, the Committee's challenge was to ensure the right Reward response to the combination of exceptional circumstances facing Post Office. These challenges concerned not only the COVID-19 pandemic but matters relating to historical matters. Against this backdrop, the Committee needed to ensure that it took account of the broad range of pressures on Senior Leadership whilst also recognising the high level of external scrutiny and public concern attached to the historical treatment of Postmasters. It was imperative that Reward should reflect Post Office's commitment to confronting the past and to creating a future business that would service the community and deliver value to shareholders.

In addition to standard governance items, the Committee's activities during 2020/21 were to:

- Determine the right approach to incentive compensation for our Senior Leaders. In light of business performance and uncertain trading conditions, the Committee decided to:
    - Cancel the 2020/21 STIP and the 2020-23 LTIP for the Group Executive and Senior Leadership population.

    - Introduce a Transformation Incentive ("TI") scheme for this group. This is a new deferred cash plan with a target pay out date of March 2022. The pay out potential is similar to the annual STIP. The scheme is based on a scorecard of four essential metrics aligned with our business transformation priorities:
        - Postmaster Satisfaction
        - Inquiry
        - New Branch IT
        - Organisation Design
- Approve in principle the approach for other managers, a simple recognition payment was made to reward the exceptional contribution made by these colleagues in such challenging circumstances.
- Tighten the governance within the different incentive plans with the strengthening of malus and clawback clauses in line with best practice guidance.
- Commence work on the identification of the appropriate metrics for the 2021/22 STIP and 2021-24 LTIP, mindful of the needs to ensure that the plans reflected the new strategy as well as the Inquiry and resolution of historical matters.
- Select a new external advisor to the Committee. Since PwC are also the Group auditors, they stood down as Executive Remuneration advisors during 2020 to mitigate the risk of potential independence conflicts. Following a robust selection process, the Committee appointed Willis Towers Watson ("WTW") in September 2020. Since then, WTW have supported the Committee in the provision of benchmarking data for senior positions, advice on variable pay design and best practice trends, and advice on governance expectations. WTW have attended the Remuneration Committee meetings since February 2021.

Membership of the Remuneration Committee

During 2020/21, the Remuneration Committee comprised of Ken McCall, Tim Parker, Tom Cooper and Lisa Harrington. All are independent Non-Executive Directors, with the exception of Tom Cooper who is an employee of UKGI. During the year ended 28 March 2021, the Committee met seven times to discuss key remuneration issues arising, the review and operation of the Company's Remuneration Policy and market updates by its advisers. Committee members' attendance at the meetings is set out in the table below:

Member	Meetings attended in 2020/21
Ken McCall (Remuneration Committee Chairman)	6/7
Tim Parker	7/7
Tom Cooper	7/7
Lisa Harrington	7/7

The CEO attends the meeting by invitation of the Chairman and assists the Committee in its deliberations, except in matters relating to his own remuneration. No Directors are involved in deciding their own remuneration. The Committee also receives advice from the Group Chief People Officer, along with other members of the Human Resources team and external consultants.

Committee Changes

At the end of 2021, Ken McCall stood down as Chair of the Remuneration Committee and I have taken over the Chair role. On behalf of the Committee I would like to thank Ken for his work as Chair for the last six years. I am pleased to announce that Post Office has appointed Ben Tidswell as a new Non-Executive Director and Ben joins the Committee from 1 January 2022.

Implementation of remuneration policy going forward

In April 2021, our CEO, Nick Read, published a framework to guide the activities and priorities of the Post Office through to 2025. It is critical that our Reward strategy and Reward plans are aligned to support the achievement of this framework. Against the backdrop of this agreed strategy, this is a good time to take the opportunity in the coming year to review and refresh our Reward strategy, principles and policy framework. The new Reward strategy and framework will inform the detail of our Reward approach not only for our leadership, but for all of our colleagues to ensure we can attract, retain, develop and motivate key talent.

In closing

On behalf of the Committee, I would like to thank the Shareholder for its input and engagement in the year. I am honoured to step into the Chair role and we look forward to working with Nick and his team to refresh the Reward strategy and framework.

Directors' Remuneration Policy

Summary of Remuneration Policy

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 Group Executive. The Committee also provide oversight of the Reward approach for all colleagues at the Post Office.

The Committee's intention is that the remuneration policy aligns with the business strategy and risk profile so that individuals are motivated to deliver the Post Office objectives and protect its value to all its stakeholders. 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 the turnaround strategy and promote the long-term viability of the organisation;
- reinforcing an emerging culture of sustainable performance, partnership and mutual ways of working; and
- providing a transparent approach to the disclosure of pay.

The 2018 Corporate Governance Code sets out a number of provisions for best practice remuneration policy. We have aligned our policy with these provisions, as shown on the next page.

How Directors' Remuneration Policy aligns with the Code provisions

Clarity	We are committed to providing a transparent approach to the disclosure of pay and have worked to ensure this report is a comprehensive record of the Committee's decisions over the year and their remit. We also maintain an extensive and continuous dialogue with the Shareholder on all matters related to the remuneration of our Executive Directors.
Simplicity	The remuneration structure is simple to understand for both participants and external stakeholders and is aligned to the strategic priorities of the business.
Risk	Executive Directors are subject to malus and clawback charges in the STIP and LTIP rules, which provide for the reduction or return of all or parts of bonus payments in the event of misstatement of the accounts, error, or gross misconduct on the part of an Executive Director. From 2020 the rules have been strengthened to provide for reduction or clawback of bonuses where the Executive Director has contributed to serious reputational damage of the company, a material corporate failure or some other exceptional event. In addition to malus and clawback, the Remuneration Committee has the absolute discretion to make adjustments, including a downward adjustment, to any bonus payment due under the TI, STIP and LTIP schemes 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 range of possible values of rewards to individual Executive Directors are set out in the scenario charts on the next page.
Proportionality	A meaningful portion of an Executive Director's reward is linked to performance. The TI, STIP and LTIP plans reward the delivery of the business strategy and performance ambition.
Alignment to Culture	Our remuneration framework overall, and our approach to Executive Remuneration in particular, remains focused on our aim of becoming a commercially sustainable business with a strong public purpose. We aim to reinforce a culture of partnership.

Executive Directors: Key elements of the remuneration policy

The following table sets out the key elements of the Remuneration Policy for Executive Directors (the CEO and CFO). The remuneration framework for the Executive Directors requires consent from BEIS each year.

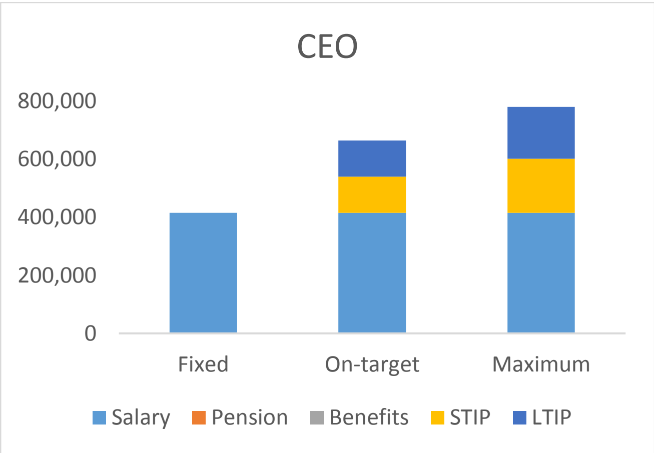
Element and link to strategy	Operation	Potential
Base Salary **To recruit and reward individuals based on their skills and for the responsibilities required.**	Salaries are normally reviewed on an annual basis, in July. When determining base salary increases, consideration is given to (i) pay and employment conditions elsewhere in the Post Office and (ii) 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.
Benefits **The policy is to consolidate taxable benefits into base salary.**	In line with Government guidance for senior employees, participation in benefits such as cars, life insurance and health cover schemes are no longer provided to new appointments. Since September 2019, any new Executive appointee is not offered benefits as part of their remuneration package.	Historically, all Executive Directors had the opportunity to be participants in benefit schemes. However, now the CFO is the only remaining Executive participating in benefit schemes 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 2020/21 the CEO has opted out of the Post Office Pension Scheme. The CFO receives a 25% salary supplement in line with previous policy.

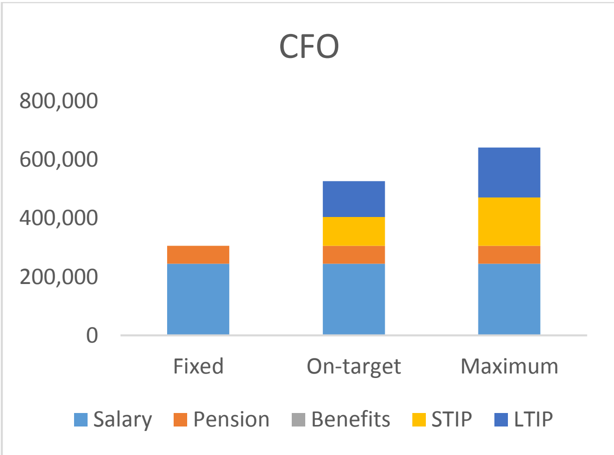
Element and link to strategy	Operation	Potential
Short-Term Incentive Plan (STIP) **A discretionary payment to reinforce and reward improved in-year financial, operational and personal performance.**	STIP awards are made annually. The metrics and target ranges are agreed annually with the Board and BEIS as part of the annual business and budget planning cycle. 80% of the target STIP award is based on a business scorecard and 20% is based on individual performance objectives which are agreed with the Board and require approval by BEIS. The business scorecard is set annually to include a mix of financial and non-financial measures.	Maximum opportunity under 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 awards are made annually and are cash settled if performance is achieved over the 3-year cycle. Performance measures for the LTIP are drawn from the Post Office Strategic Plan agreed with BEIS. The performance targets are agreed with BEIS 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 under three performance scenarios.

These are scenarios showing potential remuneration assuming there is no STIP or LTIP pay out (fixed pay only), on-target performance (STIP and LTIP paying out at a target level), and maximum (full pay out of STIP and LTIP).





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 and TI	The default position is that any outstanding STIP or TI 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 they were 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 they were 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.

Approach to recruitment remuneration

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.

Item	Policy
Salary, Benefits and Pension	The fixed package offered to new Directors takes account of the previous incumbent. However, in line with Government remuneration guidance for senior employees, from September 2019 the approach to remuneration has changed and pension and benefits are not offered separately. These elements are consolidated into salary, resulting in more competitive base salary levels and reduced benefits.
STIP	For new appointees, STIP will not exceed 45% of salary for Executive Directors.
LTIP	For new appointees, LTIP awards will not exceed 43% of salary for Executive Directors.
Buyout of incentives forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the nature, performance conditions and time horizon attaching to award forgone and will be tailored to the individual. Any such award would require approval by BEIS.
Internal appointments	Any variable pay element awarded in respect of the incumbent's previous role will be allowed to pay out according to the terms on which it was originally granted. Adjustments may be made to the award, as relevant, to take account of the new role.

Non-Executive Directors: Key elements of the remuneration policy

The following table sets out the key elements of the Remuneration Policy for Non-Executive Directors. The remuneration framework for the Non-Executive Directors requires consent from BEIS each year.

Element and link to strategy	Operation	Opportunity
Fees **To attract and retain a high calibre Chairman and Non-Executive Directors.**	The Chairman is paid a single fee to cover all duties. 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 the Chairman are reviewed by the Committee and approved by BEIS. The fees of the Non-Executive Directors are reviewed and approved by BEIS.

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

	2020 fees	2021 fees	% change
Chairman	£19,300	£19,300	0%
Senior Independent NED (including Chair of Remuneration Committee)*	£50,000	£50,000	0%
Non-Executive Directors base fee	£35,000	£35,000	0%
Chair of Audit, Risk and Compliance Committee additional fee	£10,000	£10,000	0%
Chair of Nominations Committee additional fee	N/A	N/A	0%

* The fees for the Senior Independent NED includes the fees for being Chair of the Remuneration Committee for 2020/21. Due to Ken McCall stepping down from the Board, the Senior Independent NED fees will not include Chair of the Remuneration Committee fees from January 2022.

The company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the same policy which applies to current Non-Executive Directors.

Annual Remuneration Report

Single total figure of remuneration

	Nick Read CEO (Note 1)		Alisdair Cameron CFO	
Financial year	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Annualised salary	415	415	245	245
Actual salary	415	225	245	250
Benefits	-	-	10	10
Cash in lieu of pension	-	-	61	62
Fixed remuneration	**415**	**225**	**316**	**322**
Retention bonus	-	-	-	50
STIP (Note 2)	-	32	-	48
LTIP (Note 3)	-	-	-	148
Variable remuneration	**-**	**32**	**-**	**246**
Total remuneration	**415**	**257**	**316**	**568**

Note 1: The CEO does not take the pension benefit and does not have any benefit entitlements due to being appointed after the September 2019 policy change.

Note 2: The 2020/21 Executive Directors' STIP was cancelled and replaced with the TI scheme – with any payment deferred until March 2022 at the earliest. As the award will not be determined until 2022, these figures do not include any sum in relation to the TI.

Note 3: The 2018-21 LTIP will not pay out as performance did not reach the EBITDAS target threshold.

Base salaries

Salaries for individual Executive Directors are reviewed annually by the Committee and normally take effect from July. The Committee considered the Executive Directors' pay review in July 2020 in light of pay review budgets across the Group and no increases were awarded to existing Executive Directors in post at that time.

STIP award in relation to performance in 2020/21

There was no STIP awarded in 2020/21, the STIP scheme was cancelled and replaced with a one-off TI Scheme.

Transformation Incentive Scheme

To replace the cancelled STIP and LTIP plans, the TI scheme was introduced for all Group Executive and Senior Leadership population. This is a deferred cash plan, with a pay out opportunity that mirrors eligibility under the STIP. Any payment under this plan is deferred until March 2022. The scheme is based on a scorecard of four metrics aligned to our business transformation priorities:

- Postmaster satisfaction
- Inquiry
- New Branch IT
- Organisation Design

The targets set and performance against them will be disclosed in the 2021/22 Remuneration Committee Chair's Report.

LTIP awards vesting in relation to performance in 2020/21

The performance conditions required for the April 2018 – March 2021 LTIP plan were not met during 2020/21, and therefore no payment was made. The Performance conditions were as follows:

	Performance (based on target set in 2018)	Weighting (% of award)	Outcome achieved (% of award)
Network Access Criteria	Met	Gateway	Passed
Trading profit	Not Met	100%	0%

Outstanding interests in LTIP

Under the remuneration policy, LTIP awards are granted annually. The CEO and CFO have the following outstanding awards:

	Target award	Stretch award	Performance period
CEO	35%	43%	2019 – 2022*
CFO	50%	70%	2019 – 2022

* CEO award is pro-rated from his start date (30 months).

No LTIP was awarded in 2020/21.

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 Pension Scheme at the same levels of contribution as the wider workforce. This applies to the CEO. The CEO has chosen not to participate in the scheme in 2020/21.

Historically, Executive Directors received a 25% salary supplement in lieu of pension. This still applies to the CFO.

Remuneration of the CEO over time

The table below shows the total remuneration of the CEO over nine financial years (since the Post Office became independent from Royal Mail), together with the STIP and LTIP payments in those years:

	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000
Total Remuneration	696	544	522	619	671	718	717	475	415
Salary	250	250	250	250	250	255	255	415	415
STIP (% of maximum)	79%	38%	48%	77%	99%	96%	71%	32%	N/A
LTIP (% of maximum)	89%	59%	45%	59%	62%	80%	100%	N/A	N/A

From 2012-2019 the CEO remuneration data relates to Paula Vennells.

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

The 2021 figure excludes any STIP payment as the 2020/21 scheme was replaced with a (TI) deferred bonus scheme due to pay out in March 2022, and as the CEO was not eligible to participate in the 2018-21 LTIP scheme, he will not receive any LTIP payment. The TI figure is not included as pay out will not be assessed until 2022.

Percentage change in CEO remuneration compared with employees

The CEO's total pay in 2020/21 reduced by 12.6% in comparison to 2019/20 due to no salary increase or STIP payment being awarded.

Over the same period, there were some changes to all employee remuneration:

- A pay award for non-management grades of 1.5% was agreed, effective 1 April 2020. In addition, annual bonuses for this group were consolidated into base pay. This had the effect of a pay increase of 5% - 7% depending on role.
- A pay award of 1.5% for other staff effective 1 June 2020 for Middle Managers and 1 July 2020 for Senior Managers.
- No annual bonus was paid to Senior Management and Middle Management staff as the financial performance threshold required by the Plan rules was not met. However, to reflect colleague's exceptional contribution during such challenging times a recognition payment was awarded. This was a flat rate payment rather than a percentage of salary. In comparison with on-target annual bonus, Middle Managers received an average of around 6% (on-target bonus: 10%) and Senior Managers received an average of around 8% (on-target bonus: 18%).
- The maximum matching pension contribution available to employees increased from 11% (for employees who contribute 7%) to 12% (requiring an employee contribution of 8%) from April 2020 for non-management employees and for all other employees from April 2021.

As stated below, there was no change in the remuneration for Non-executive Directors in the period.

CEO pay ratio

In line with our commitment to transparency, we are publishing our CEO pay ratio for the first time this year. This has been calculated using Option A under the relevant regulatory requirements. Option A was selected as this is the preferred approach used by listed companies, as it provides the most statistically accurate comparison.

In line with the requirements the information is set out in a table reporting the CEO's total pay and benefits as a ratio of:

- the 25th percentile ("P25") employees' total pay and benefits.
- the 50th percentile ("P50" or median) employees' total pay and benefits.
- the 75th percentile ("P75") employee's total pay and benefits.

Eventually, the table will include ratios for the previous 10 years.

	Total remuneration		
2020/21	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
CEO single figure remuneration	£415,000	£415,000	£415,000
Pay ratio	15.5 : 1	12.8 : 1	9.3 : 1
Employee total pay and benefits	£26,715	£32,495	£44,576

The CEO remuneration is the total single figure remuneration for the year ended 28 March 2021.

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 fixed allowances, taxable benefits, incentives and the default defined contribution employer pension contribution for the year ended 28 March 2021.

Note: No STIP has been paid in respect of 2020/21 and no payment in respect of the 2018-21 LTIP outturn. Therefore, the above figures are based on like-for-like remuneration for the CEO and all employees.

By way of comparison, WTW, Post Office's Remuneration Committee advisors, quote the median UK CEO pay ratio as at August 2020 at 36:1.

Single Figure for Non-Executive Directors

The table below shows the remuneration of Non-Executive Directors for the year ended 28 March 2021 and the comparative figures for the year ended 29 March 2020.

Name	Annualised fees 2021 £	Actual fees (note 1) 2021 £	Actual fees 2020 £
Tom Cooper (note 2)	-	-	-
Tim Franklin (note3)	-	-	30,000
Lisa Harrington (note 4)	35,000	35,000	-
Shirine Khoury-Haq (note 5)	-	-	11,700
Ken McCall	50,000	50,000	50,000
Tim Parker (note 6)	19,300	18,460	19,615
Carla Stent	45,000	45,000	45,000
Zarin Patel (note 7)	35,000	35,000	12,200

Note 1: The actual fees are shown as at 28 March 2021 or at the date of leaving.

Note 2: Tom Cooper is an employee of UKGI.

Note 3: Stood down as Non-Executive Director on 31 December 2019.

Note 4: Appointed as Non-Executive Director on 8 April 2020.

Note 5: Stood down as Non-Executive Director on 18 July 2019.

Note 6: Donates the after-tax value of his Board fees to charity.

Note 7: Appointed as a Non-Executive Director on 26 November 2019.

Service Contracts

Each of the Executive Directors has a signed contract within 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 Chairman 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	Notice period
Ken McCall (Remuneration Committee Chairman)	21 January 2016	6 months
Tim Parker	1 October 2015	6 months
Tom Cooper	27 March 2018	N/A
Carla Stent	21 January 2016	6 months
Zarin Patel	26 November 2019	6 months
Lisa Harrington	8 April 2020	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.

External appointments

Tim Parker is the Chairman of Samsonite International S.A and HM Courts & Tribunals Service. He is the Chairman of The Grange Festival as well as Director and Owner of the British Pathé Film Archive. He is also a Member of the Governing Body of the Royal Academy of Music. He ceased his role as Chairman of The Brand Foundation in April 2020. His term as Chairman of the National Trust ended in October 2021.

Carla Stent is a Director of NCL Investments Limited, Bestinvest (Consultants) Limited, HW Financial Services Limited, Index Fund Advisers Limited, MCS Advisory Limited and JP Morgan Elect PLC. She is also a Director of Tilney Smith & Williamson Group, where she chairs the Risk and Audit Committee and is a member of both the Remuneration and Nominations Committees. She is Chair of Marex Group and also chairs several early-stage businesses. She is a Chair and shareholder of Littlefish FX Limited. She is a shareholder of Lightpoint Medical Limited, Antaco UK Limited and Binomia Limited (trading as New Path). She was appointed as a Director at HFS Milbourne Financial Services Limited on 02 March 2021. Carla is a shareholder of Malherbe Limited, Savernake Management Limited, Savernake Capital Limited and Savernake Technology Limited. She ceased her role as Chair of Malherbe Limited, Savernake Management Limited, Savernake Capital Limited and Savernake Technology Limited on 03 December 2021. She ceased her role as Vice Chair of Power to Change Trustee Limited on 31 January 2022.

Ken McCall is a Non-Executive Director of Brambles Ltd. He is also a Member of its Audit and Risk Committee.

Tom Cooper is a Director at UKGI and TKGC Consulting Limited. From 20 November 2020 to 23 November 2021, Tom was a Director at OneWeb Holdings Limited.

Alisdair Cameron is a Non-Executive Director of Dover Harbour Board.

Zarin Patel is a trustee and Chair of the Audit and Risk Committee at the National Trust. She is also an Independent Director at Anglian Water Services Financing Plc, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited. She is an Independent Director at Anglian Water Services Limited and the Chair of the Audit & Risk Committee since March 2020. On 01 January 2022, she was appointed as a Board Member and Chair of the Audit and Risk Committee at HM Treasury. Zarin ceased her role at John Lewis on 14 April 2021. She started her role as Non-Executive Director & member of the Remuneration and ESG Committees at Pets at Home Group Plc on 14 April 2021.

Lisa Harrington was appointed as an Independent Director and Chair of the Nominations Committee at Digital 9 Infrastructure Plc on 05 March 2021. She ceased her role as a consultant at Kinloch Services Limited on 28 February 2021. From 01 August 2020 to 31 March 2021, Lisa was an Independent Director at Calisen Plc. She ceased her role as Acting Managing Director of Infrastructure at Hyperoptic Ltd on 12 December 2021.

Elliot Jacobs is currently a Non-Executive Director at Office Friendly Dealer Association Limited. He is also a Director at Universal Office Equipment (UK) Limited, UOE Holdings Limited and Onjoy Ltd. Elliot is a Postmaster NED at Post Office and runs the following Post Office branches: N2 (0110043), EN6 (190005), SG14 (1671294), N8 (2050048), N10 (2070049), N16 (2080044) and NW1 (208005).

Saf Ismail is a Director at IE Group UK. Saf is a Postmaster NED at Post Office and runs the following Post Office branches: Meadow St Ltd, Boltonn Ltd, Chly Ltd, Ecles Ltd, Bes Ltd, Midlandd Ltd, Hywd Ltd, Bpool Ltd and Pstw Ltd.

Ben Tidswell is a Chairman at the Competition Appeal Tribunal. Ben was an LLP Designated member of Tractor Transfer LLP and Ashurst LLP until 31 July 2021. He ceased his role as Global Chairman of Ashurst on 31 July 2021, which included ending his Directorships at the following companies: Ashmor Nominees Limited, Ashurst Group Limited, Ashurst Healthcare Trustee Limited and Ashurst Business Services Limited.

Brian Gaunt is a Non-Executive Chairman at MFS GroupCo and Non-Executive Director at Interdelta Ltd. He is the Director and co-owner of Cherry Blossom Developments Ltd and the Director and Owner of B2CSupply Ltd.

All appointments during the financial year and up to the point of signing the ARA have been included. No external appointments have been declared by the remaining Executive and Non-Executive Directors.

Malus and Clawback provisions

Executive Directors are subject to malus and clawback clauses in the STIP and LTIP rules, which provide for the reduction or return of all parts of bonus payments in the event of misstatement of the accounts, error or gross misconduct on the part of an Executive Director. From 2020 the rules have been strengthened to provide for reduction or clawback of bonuses where the Executive Director has contributed to serious reputational damage of the company, a material corporate failure or some other exceptional event. In addition to malus and clawback, the Remuneration Committee shall have absolute discretion to make adjustments, including a downward adjustment, to any bonus payment due under the STIP and LTIP schemes if it considers such adjustment to be appropriate having taken into account all relevant factors.

Consideration of Shareholder's views

Each year the Committee takes into account the views of BEIS. The policy for pay at risk concentrates on ensuring remuneration is performance led with targets aligned with those of BEIS.

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 2020/21 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.

Fairness, diversity and inclusion

The remit of the Remuneration Committee includes a consideration of broader workforce issues. This section of the report explains how we are furthering our commitment to fairness through our work on Equality, Diversity and Inclusion. This includes our targets and our actions to meet those targets. Whilst we recognise that there is work still to do, we believe that we are making important progress.

Diversity and Inclusion Policy

Diversity and Inclusion ("D&I") at Post Office goes beyond meeting the minimum legal requirements. We want to provide an environment that encourages difference of thought, experience and background. We want people to trust that employment decisions, whether related to recruitment, promotions, transfers or terminations, are based on merit and fairness.

D&I is a business priority, not an HR initiative, and we hold Senior Leadership accountable for our performance in this respect.

D&I targets

The Group Executive has agreed stretching gender and ethnicity diversity targets for the overall workforce and specifically for Senior Management. Our aspiration is that we will have 50% female and 14% BAME (Black, Asian and Minority Ethnic) representation across our workforce at all levels by 2024, so that we have a leadership team that is reflective of the customers and communities. These targets will be reviewed once we have the information from the 2021 Census.

Performance in 2020/21

Improving our data and understanding

Our reporting capability on diversity data has been improved to give us a clearer picture of our current diversity across our whole workforce, our leadership team, our promotion appointments and new hires. Each month we provide our Group Executive team with a Diversity Dashboard which provides a basis for discussion around achievements and where work is still needed. The Dashboard will be continuously improved so that leaders have access to more diversity statistics and information to enable better informed discussions.

We continue to work on increasing how many of our people feel comfortable sharing their diversity data through campaigns, engagement and via our diversity network groups.

During the COVID-19 pandemic, we ran pulse surveys to understand how employees were coping during challenging times and to understand their preferences going forward. From a D&I perspective, this meant that we were able to ensure that our support was relevant to the diverse needs of our people. This insight into the range of needs helped inform our strategy on new ways of working.

Gender

Over the last few years we have made progress towards our goals for gender equality. In 2020/21, our achievements in increasing the number of senior positions held by females were slightly affected by organisation restructures with the result that the number of females in the Group Executive team reduced from 3 to 2. Within the Senior Leadership group, we saw a drop back to 33% from 45% in the previous reporting year. In response to this, we have introduced changes in the recruitment process as well as awareness training to ensure that we stop the decline and move towards gender parity. The Non-Executive Director gender representation has remained the same as in 2019/20, with three female NEDs in the year.

For our management group as a whole, 46% of our middle managers and 44% of Senior Managers are women.

Across the whole population, our gender ratio, (proportion of colleague population which is female) was 54% as of March 2021 - the same as the previous year. This figure has decreased from 57% in April 2019 as a result of continued franchising of directly managed branches, where roles are predominantly filled by females.

Our continued focus on tailored development plans for high potential colleagues has made an encouraging difference to our internal talent pipeline in respect of gender balance. Since our last report, 55% of internal promotions were filled by females and 28% of promotions to leadership level were women.

Our work has been externally recognised, and this year, we are very proud that Post Office was included in the UK Times Top 50 employers for women.

Gender Pay Gap

The gender pay gap shows the difference between the gross hourly pay of all men and the gross hourly pay of all women across the organisation. It is not the same as equal pay. Equal pay means that men and women are paid the same for work of equal value, as set out in the Equality Act 2010. At Post Office we support equal pay through a robust job evaluation process that is free from gender bias.

Post Office typically reports its latest Gender Pay Gap Report (“GPGR”) data in the Annual Report and Accounts. Due to the later publication in 2019/20, last year’s ARA contained 2020 GPGR data which was published in the latest report in July 2021. This showed the median gender pay gap at Post Office was 10%

(2019: 12%) and the mean was 15% (2019: 16%). The 2021 data will be published in line with Government reporting requirements in April 2022 and will be included in next year's ARA.

We encourage you to read our full Gender Pay Gap report on our website for more information.

Ethnicity

At 21%, we are currently exceeding our target of 14% BAME representation across our whole workforce. At middle management, the figure is 16%. At more senior levels, there is still work to do: our current performance is 12% at Senior Management, and 2% at Senior Leadership level, with no BAME representation at Group Executive level. BAME representation at Non-Executive Director level has remained the same since 2019/20, with 1 NED identifying as being from an ethnic minority background.

In terms of the internal talent pipeline, 17% of internal promotions were filled by BAME candidates.

To address the low levels of representation at senior levels, we are reviewing our recruitment processes to identify improvements. Additionally, we are conducting D&I training and we have completed a "lite" version of the Ethnicity Pay gap report to use as a basis for going forward. We have committed to and are acting on the five commitments of the Race at Work charter as set out by Business in the Community (see bitc.org.uk for further information).

Our D&I actions for the future

We continuously review our D&I initiatives to achieve our goals of creating a more inclusive culture and more diverse talent pipelines to support progression to senior roles. Our future plans include:

- Improving diversity data so we can set functional targets and measure the success of initiatives.
- Involving our colleagues in shaping our future values and behaviours as we define our cultural ambition following the launch of our Purpose in September 2020 ("We're here, in person, for the people who rely on us").
- Embedding those values into our HR and business processes so we actively identify and eliminate unconscious bias and encourage diversity through fairness in reward and recognition.
- Investing in a new Talent Manager (onboarded in summer 2021) to provide focus and expert support for managers on the identification and development of high-potential employees.
- Refreshing our personal development review process to improve the support for all employees with regular performance reviews, coaching and the opportunity to develop.
- Placing additional focus on race and ethnicity to improve our performance in this area. This doesn't mean that we will be reducing our work for other groups – in fact, the opposite is true. Many of the actions will benefit all of our diversity groups and improve our diversity networks.

We do not underestimate the challenge of meeting our D&I goals and aspirations, but we will maintain sustained focus on our commitments so that we create an environment where everyone can fulfil their highest potential and deliver their best for our customers and colleagues.

Lisa Harrington

Chair of the Remuneration Committee

29 April 2022

Management of Risk

Our Approach to Risk

As a commercial business with a social purpose, the Post Office must balance the need to provide essential services to our customers with maintaining and enhancing profitability. The 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.

The Post Office adopts an enterprise-wide approach to the management of the risks. This involves; the (i) identification and evaluation of significant risks, (ii) assignment of ownership, and (iii) completion and monitoring of mitigating actions to manage these risks within risk appetite. This enterprise risk approach seeks to improve efficiency and the delivery of its services, improve allocation of resources to business improvement and enhance risk reporting to the Shareholder.

Our Risk Management Framework

The Post Office's risk management framework is designed to support the consistent and robust identification and management of opportunities and risks across the organisation. It is based on the principles that risk management is:

- Fundamental to how we are directed, managed and controlled at all levels;
- An integral part of all our organisational activities which support decision-making in achieving objectives; and
- Collaborative and informed by the best available information and expertise, and that processes include risk:
    - identification and assessment to determine how our risks should be managed;
    - treatment options that manage our risks to an acceptable level;
    - monitoring options; and
    - reporting to enhance the quality of decision-making and to support management oversight.

In line with industry best practice our Framework is made up of three inter-related components: governance, strategy and protocols.

Risk Management Governance

The Post Office's Risk Management Governance arrangements are concerned with how we manage and communicate risks in the organisation, underpinned by a risk reporting structure. The Board (along with operational management), Risk and Compliance Committee ("RCC") and Audit and Risk Committee ("ARC") provide the three lines of oversight for risk management.

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 the Post Office. The Board ensures there are clear accountabilities for managing key risks, as well as the associated internal controls, and our staff 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 the Post Office aims to achieve its objectives. The Board agrees the frequency and scope of its risk discussions and ensures processes are in place to bring significant issues to its attention. It also examines potential long-term threats, risks, emerging issues and opportunities to assure itself on the effectiveness of our risk management framework.

The ARC supports the Board in its assessment and management of key risks. In doing so the ARC ensures the Board understand the business strategy, operating environment and the associated risks. The ARC reviews the Post Office's policy, risk appetite and attitude to risk to ensure these are appropriately defined and communicated so that parameters and expectations are understood. They regularly and critically challenge and review our 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 organisational tiers as it provides a simple and effective way to delegate and coordinate risk management roles and responsibilities.

In this structure the 1st Line function is performed by Post Office operational management (including the Board) who identify, assess, own and manage the risks. They are also accountable for the design, implementation and maintenance of the associated internal control measures.

A Central Risk team perform the 2nd Line function. It oversees our corporate approach to risk management. This involves defining and implementing risk standards, policies, procedures and guidance. They also assist, with Central Compliance, the 1st Line function in developing controls in line with good practice as well as monitor compliance and effectiveness. Furthermore, they are accountable for identifying and alerting the Board, the Group Executive and the ARC to emerging risks and changing risk scenarios.

Internal Audit, who operate independently of 1st and 2nd Line functions, are the 3rd Line of defence. They provide an independent evaluation of the adequacy and effectiveness of the Post Office's framework of governance, risk management and control.

All Post Office risks are monitored, reviewed and recorded regularly to determine whether, or not, the corporate risk profile has changed and to gain assurance that corporate risk management rules and procedures are effective.

Risk Management Strategy

The Post Office's Risk Management Strategy is concerned with our specific risk policies and framework, our appetite and attitude to risk, the techniques by which we assess risks as well as the key priorities in any given year.

Risk Management Protocols

The Post Office Risk Management Protocols are the guidelines provided to the organisation for the management of risk. These include detailed rules and procedures, how we classify risks, as well as the risk management methodologies, tools and techniques we use.

Our Control Framework

We have an internal control framework in place for our financial reporting, IT processes, and change programmes which fall under our self-assessment regime. These are managed through our on-line Governance, Risk & Compliance ("GRC") tool. In addition, we have a suite of Post Office policies which define the minimum control standards, such as Postmaster service and support, which we expect to be performed within the applicable business areas. Work is underway to undertake a phased migration of these off-line minimum control standards onto the GRC tool. Our risk management efforts are also underpinned by our Executives' Declaration.

What has changed since last year?

Risk Policy

During 2020/21 we undertook a comprehensive review of our Corporate Risk Policy which was formally approved by ARC in November 2020 and the Board in January 2021.

The refreshed policy is based on a number of key principles which are consistent with ISO31000 (Risk Management – Principles and Guidelines) and supportive of the UK Corporate Governance Code (Guidance on Risk Management, Internal Control and Related Financial and Business Reporting). It was updated with additional sections on core principles, application, roles and responsibilities, as well as referencing key risk management processes and related supporting policies.

The Policy is based on a number of key principles, namely:

- Risk is embedded in all activities and the underlying risk culture and approach is key to effective decision-making;
- All material risks are identified, measured, monitored, managed and reported on a continuous basis at an individual and aggregate level;
- Risk management processes are aligned with, and support, the delivery of the Post Office strategy, ambitions and management objectives;
- Risk management processes are integrated with business strategy, project management, process and decision-making to promote an enterprise wide approach;
- Risk management follows a consistent and transparent methodology;
- There is proactive recognition of external factors, opportunities, and uncertainties;
- Risk reporting supports effective review, challenge and monitoring of risk levels against Post Office's risk appetite and inform decision-making activities; and,
- Governance of risk is achieved through adhering to the industry standard Three Lines of Defence assurance model that ensures appropriate segregation of duties.

Risk Appetite

The Risk Policy outlined an approach to Risk Appetite such that we could meet our strategic objectives of (i) supporting Postmasters, (ii) building a fit for purpose network, and (iii) focusing relentlessly on Post Office core strengths and customers.

The Policy defined Risk Appetite as the amount of overall risk the Post Office is willing to pursue (or retain) to achieve its strategic objectives. It also outlined a five-tiered appetite scale (ranging from 'Averse' which borders on zero tolerance, through 'Neutral' to 'Open') against which individual risks would be assessed. In doing so, the Policy requires several factors to be considered including (i) our tolerance for uncertainty (ii) our decision choices and (iii) our strategic priorities.

ARC have approved risk appetites for both legal & compliance, operational (including Postmaster-centric) and people risks. Technology (including cyber), finance and commercial are to be prioritised in the next financial year.

Central Risk Function

Following the in-year Post Office re-structure (and a refocus of our strategic objectives) we have enhanced our 2nd Line Central Risk function to provide greater consistency and co-ordination in the management of our enterprise and key business risks. This work is designed around a series of interrelated themes and builds on our existing risk management activities.

Work has focused initially on enterprise risks with the 2020/21 focus on designing and implementing enhanced Key Risk Indicators and Risk Appetite Statements.

Governance, Risk & Compliance ("GRC") framework

During 2020/21 we have formalised a GRC corporate governance body to oversee the Post Office's GRC Strategy and supporting framework.

Our GRC framework and tool is made up of 5 components:

1. Governance and Compliance: To ensure the Post Office's governance framework, including policies, laws and regulations, and best practices are in a centralised system, and mapped to associated controls. It will provide for the identification of relevant business, risk and IT owners (and systems).
2. Risk Management: To identify and manage existing and emerging risks in the centralised system and record the accuracy of the associated controls.
3. Implement real-time monitoring: To identify non-compliant controls, using Key Risk Indicators ("KRIs") and Key Performance Indicators ("KPIs") augmented by automated data validation and evidence gathering.

4. Vendor Assessment: To assess vendor risk and provide the ability to manage and assess vendors in a consolidated manner.
5. Reporting: To support the Post Office in providing both qualitative and quantitative assessment scores, informed by service performance data. This will allow us to more accurately gauge and report our risk exposure in real time.

We have completed our initial deployment of a corporate GRC approach, and supporting tool, across the business. This allowed for the rollout of risk management capability beyond Central Risk to business unit heads and individual risk owners. We have also migrated the IT, financial reporting controls and change programme controls onto the tool, beginning to formally link them to their associated risks for the first time.

Key Risks Review

As part of our review of the Central Risk function we reviewed our key risks along with the key associated business risks, ensuring they are grouped under a series of enterprise drivers consistent with those advocated by HM Government's 'Orange Book'. This ensures our mitigation plans address more than one linked risk, resulting in a more efficient and effective enterprise risk management process. The table below outlines eight key risk areas.

Post Office key risks 2020/21

RISK THEME	KEY RISK	MITIGATIONS
Strategy: Risks in this space are concerned with the Post Office's Strategy being ill-defined, unaligned to the interest of its key stakeholder(s), cannot readily adapt to a hostile macro-environment and/or is unable to support the full integration of any acquired business.	Post Office Strategy and Transformation activity seeks to ensure not only that the Post Office 2025 Vision is clear and well-understood but also that the organisation provides the structure and support to successfully deliver the supporting change. A key Post Office risk is that its change delivery may not be sufficiently aligned to the strategic direction, is not supported by a robust and scalable change methodology, and/or is unable to deliver change efficiently and effectively. <u>Inability to deliver change</u> Through a significant lack of people resource availability and/or skills. <u>Uncoordinated, fragmented delivery</u> Due to immature portfolio & programme management capability.	Enhance and embed the Post Office approach to change delivery such that it: • is clear about the outcomes to be delivered, • translates outcomes into tangible deliverables and measurable benefits and use these to steer decisions, • is supported by robust business cases for investment funding, and • is clear how success will be measured, and focuses on delivery of benefits and outcomes. Undertake periodic portfolio reviews to determine strategic alignment, bring in independent perspectives and integrated assurance, and capture lessons throughout the portfolio lifecycle. Undertake regular review of priorities in light of delivery.
Commercial: These risks tend to be prompted by one or more external factors such as (i) adverse macro-economic conditions, (ii) changing consumer preferences, (iii) an irreversible shift from physical to on-line channels and (iv) an increasing level of regulatory scrutiny.	These are risks that (i) the Post Office's existing commercial products/services become unattractive to the market and/or (ii) the Post Office is unable to identify and benefit from a sufficient number of new commercial opportunities. <u>Long term Commercial sustainability of Post Office</u> Risk that Post Office does not find enough new commercial opportunities to drive the 'top line' and Postmaster profitability. <u>Limited ability to influence Royal Mail commercial relationship</u> Risk that Post Office has limited influence on the terms and conditions of the Mails Distribution Agreement 2.	Assess opportunities to enhance Post Office's core business, simplify business processes and improve profitability for Post Office and Postmasters. Refresh Mails Strategy to identify new opportunities. Review Government Services contracts to assess which ones Post Office should bid for, and scan market for other commercial opportunities. Amazon 'click and collect' and Pick-Up/Drop-Off initiatives: A contract between Post Office and Amazon whereby from 2021 an increasing number of Post Office branches offer pick-up and drop-off services for Amazon customers.

RISK THEME	KEY RISK	MITIGATIONS
		Post Office-DPD agreement: This allows DPD to deliver parcels directly to some Post Office branches. BankHubs: Launch of initial tranche of 'BankHubs' to offer local customers basic banking and cash services via their local Post Office. The non-exclusive nature of the Mails Distribution Agreement allows Post Office to partly mitigate this risk by building relations with other carriers such as Amazon and DPD.
Postmaster & Network: Risks of inadequate or failed internal processes, people and systems leading to operational disruption leading to an inability to provide service to customers, with associated loss and legal and regulatory impacts.	Postmaster proposition not profitable Risk the Post Office retail value proposition is not profitable enough to sustain Postmasters' business.	Reduce Postmaster staff costs through: process improvements and automation of mails & banking; introduce simpler propositions; review branches which do not have the conditions for long-term viability; increase remuneration and top line growth for Postmasters.
Financial: Because of the unpredictability of income and expenditure there are risks the Post Office has insufficient funding and/or uncontrolled costs in the short-, medium and long-term such it is unable to deliver its strategic objectives.	Insufficient Funding – Historical Matters Risk that the requisite funding is not forthcoming to fund the balance of HSS claims, OHC and Postmaster Remediation ("PR") related payments. If this risk materialises it could lead to reputational damage and potential insolvency. Insufficient funding (Network Subsidy and Investment) Risk that Post Office is not provided with sufficient funding (investment funding and Network Subsidy) to cover investment plans and other activities. If this risk materialises Post Office's commercial viability in the longer term is threatened, leading to knock on impacts around financials.	Secure funding for HSS, OHC and PR. Secure requisite funding for 2022/23 to 2024/25 period and determine, agree and deploy supporting priorities and plan.
Legal: These are risks that Post Office is unable to comply with legislative and regulatory changes, sectorial regulator guidance and/or the outcome of other external legal activity (i.e. litigation, Disputes) resulting in significant fines, loss in revenue, reputational damage and customer detriment.	Post Office breach legal and regulatory requirements If the Post Office business fails to follow or comply with its controls, there is a risk that legal and regulatory obligations will be breached resulting in regulatory sanction, penalties, financial and reputational damage.	Development and embedding of formal enterprise wide corporate controls framework. Undertaking of formal control monitoring & assurance reviews.
Technology: These risks arise from Post Office technology not delivering the expected services due to inadequate or deficient system/process development and performance, or inadequate resilience or capacity constraints.	Post Office is committed to investing in new branch technology for Postmasters by rolling out (in pilot phases) a New Branch IT programme. There are a number of risks that need to be managed in this space. These include the new technology not delivering the expected services due to inadequate or deficient system/process development and performance, or inadequate resilience or capacity constraints. Key risks remain around legacy systems. Historical Matters Horizon Issues remediation Because of the outcome of the Group Litigation order, in particular the findings from the Horizon Issues Judgment, there is a risk that lack of progress towards remediating these issues may erode Postmaster	Determine and deliver Horizon Issues Judgment Remediation plan. Development and implementation of high-level ransomware response plan. Implementation of multi-factor authentication ("MFA"). Undertake security assessment of all Post Office branch equipment. Produce a Data Governance Framework, Data Management Proof of concept along with a supporting implementation plan. Design and deliver the migration of Post Office corporate data away from the Belfast physical data centre to Amazon Web

RISK THEME	KEY RISK	MITIGATIONS
	confidence and expose Post Office to criticism from the Statutory Inquiry. <u>Loss of Availability of Critical Systems</u> Due to external malicious actors, there is a risk Post Office critical systems become unavailable. If this risk materialised we could suffer from business disruption, Postmaster dissatisfaction, and reputational damage. <u>Inadequate Data Governance and Data Management Framework</u> Risk that Post Office does not have a single source of the truth of data, effective data ownership. <u>End of Life Technology (Fujitsu)</u> Because Post Office is currently operating with a number of unsupported IT services within Fujitsu's environment there is a risk that software upgrades could no longer be delivered. <u>End of Life Technology (Accenture)</u> Because Post Office is currently operating with a number of unsupported IT services within Accenture's environment. There is a risk that hardware and software upgrades could no longer be delivered.	Services, an online platform that provides scalable and cost-effective cloud computing solutions, including computer processing, database storage, content delivery, machine learning and AI etc.
Brand: Risks that the Post Office reputation becomes severely damaged as a result of perceived ethical violations and/or adverse stance to corporate social responsibility, resulting in reputational damage, fines and loss in client and customer confidence.	The Post Office is working to rebuild its Postmaster relationship including providing a clear focus on its Historical Matters work and supporting the Statutory Inquiry. Post Office will demonstrate how its has learned from past mistakes and see benefits of changes it has made and will be making following the judgements in the civil & criminal courts and any conclusions emerging from the Statutory Inquiry itself. <u>Lack of Public Trust due to Historical Matters</u> Risk that Historical Matters and the Statutory Inquiry adversely impacts consumer perceptions of the Post Office Brand.	Continue to track consumer perceptions to identify any detrimental changes. Understand position and strategies for protecting Post Office intellectual property and reputation in response to known and expected media and challenges.
People: Post Office may have greater than acceptable levels of risks or unmitigated risks that adversely impact culture and structure, colleague capability and wellbeing, People processes and policies, industrial and employee relations and the ability for Post Office to attract, retain, recognise and reward colleagues.	<u>Lack of Employee Motivation for Business Strategy</u> Risk that Post Office employees will not be motivated or bought into 2025 Vision. <u>People capability and capacity</u> Given the scale of change and challenge there is a risk that the Post Office staff capability and capacity is insufficient to deliver the 2025 Vision and it is unable to attract, retain, recognise and reward colleagues. <u>Employee Burn Out</u> As a result of significant and extensive work pressures there is risk that key Post Office employees will suffer burn-out.	Delivery of engagement and retention strategies. Succession Planning: identify key positions in the organisation and create a talent pipeline, by preparing staff to fill vacancies in response to staff churn. Future of the workplace initiative: implement arrangements to best enable home, office and combined working. Identify and develop critical skills required. Full review of Reward and Recognition strategy to ensure market competitiveness and support attraction and retention. Implementation of various wellbeing mitigations.

Streamlined Energy & Carbon Reporting

This report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for Post Office Limited for the data reporting year 1 April 2020 – 31 March 2021, under the Government policy 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.

The organisational boundary for the reporting has been set to relate to the Post Office Limited only, as the only organisation within the Group meeting the SECR qualification criteria, and its direct operations. The organisational boundary includes the impact of Post Office's directly managed network only and not the total independent franchise network.

Under the SECR legislation we are mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent data reporting year.

Consumption (kWh) and Greenhouse Gas emissions (tCO2e) totals

The following figures show the consumption and associated emissions for this second year of reporting for Post Office Limited, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

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

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For Post Office Limited, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

Post Office Limited has chosen to examine the emissions of each stream of transportation within the business from this year, to ensure visibility of carbon reductions across each stream of transportation operations for the business.

The total consumption (kWh) figures for energy supplies reportable by Post Office Limited are as follows:

Utility and Scope	2019/20 Consumption (kWh)	2020/21 Consumption (kWh)
Gaseous and other fuels (Scope 1)	12,677,318	10,765,410
Transportation: MPO Fleet (Scope 1)	10,957,146	34,726
Transportation: CIT Fleet (Scope 1)		9,895,288
MPO and CIT Fleet Subtotal:	10,957,146	9,930,014
Transportation: Company Car Fleet (Scope 1)	3,885,630	1,011,911
Transportation: Car Allowance Fleet (Scope 1)		64,349
Company Car and Car Allowance Fleet Subtotal:	3,885,630	1,076,260
Grid-Supplied Electricity (Scope 2)	13,825,748	11,785,422
Transportation: Grey Fleet (Scope 3)	1,073,983	301,731
Total	**42,419,825**	**33,858,837**

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

Utility and Scope	2019/20 Consumption (tCO_2e)	2020/21 Consumption (tCO_2e)
Gaseous and other fuels (Scope 1)	2,330.83	1,979.44
Transportation: MPO Fleet (Scope 1)	2,682.32	8.35
Transportation: CIT Fleet (Scope 1)		2,380.51
MPO and CIT Fleet Subtotal:	2,682.32	2,388.86
Transportation: Company Car Fleet (Scope 1)	929.35	239.70
Transportation: Car Allowance Fleet (Scope 1)		15.24
Company Car and Car Allowance Fleet Subtotal:	929.35	254.94
Grid-Supplied Electricity (Scope 2)	3,534.03	2,747.65
Transportation: Grey Fleet (Scope 3)	256.87	71.47
Total	**9,733.40**	**7,442.36**

Intensity Metric

An intensity metric of tCO_2e per FTE has been applied for the annual total emissions of Post Office Limited. The methodology of the intensity metric calculations is detailed in the Reporting Methodology section, and results of this analysis is as follows:

Intensity Metric	2019/20 Intensity Metric	2020/21 Intensity Metric
tCO_2e / FTE	2.50	2.17

Energy efficiency improvements

The reporting year has benefited from lower energy use during the COVID-19 pandemic, however 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 5 years.

Measures ongoing and undertaken through 2020/21

Staff Engagement Programme

Staff across the business are encouraged to ensure that all plant operational within the sites is necessary. This includes the switching off of all manually controlled lighting and heating within unoccupied areas. This is supported through the use of posters throughout sites encouraging mindful behaviour with regard to energy usage. It is anticipated that where staff have worked from home over the COVID-19 pandemic, aspects of where energy wastage could have occurred in the office space (leaving lights on, monitors on standby) will have been identified, and staff will have an increased awareness of where energy could be saved when returning to the office.

Driver Engagement Programme

Following the introduction of increased telemetry throughout the vehicle fleet of the business, The Post Office have been collating driver data from telematics in order to be utilised to support a driver engagement programme. This data will provide information on driver habits (braking, idling time etc.), and support the analysis of the efficacy of driver training undertaken by the business.

Building Energy Usage Overview

Through the 2020/21 reporting year, a number of the Post Office Limited portfolio, similar to many others in the UK, shifted a large proportion of operations where possible to be home-based. As a result, a number of buildings were unoccupied for significant portions of the reporting year. Following the installation of Building Energy Management Systems ("BEMS") within 2019/20, Post Office Limited was able to ensure that plant was not unnecessarily operational while the building was unoccupied, and energy was not being wasted.

Measures prioritised for implementation in 2021/22

Ongoing Vehicle Replacement Policy

Due to the COVID-19 pandemic, projected achievements with regards to the increase in efficiency of the Cash in Transit (CIT) fleets were not possible given the longer lead times for the planned replacements vehicles. Targets for the increase of the number of vehicles of a Euro 6 emissions standards within the fleet have been realigned for the 2021/22 data reporting year.

Reporting methodology

Scope 1, 2 and 3 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value ("CV") and $kgCO_2e$ emissions factors relevant for data reporting year 1 April 2020 – 31 March 2021: Database 2020, Version 1.0.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Post Office Limited were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 6.1% (2019/20: 4.1%) of reported consumption.

For properties where Post Office Limited is indirectly responsible for utilities, an average consumption for properties with similar operations was calculated and applied to the properties with no available data. An average kWh/m2 was calculated for directly invoiced properties also, and for leased properties with floor area data available, this was utilised in the consumption estimate calculations.

These full year estimations were applied to 106 electricity supplies, and 100 gas supplies for Post Office Limited.

Intensity metrics have been calculated utilising the 2020/21 reportable figures for the following metrics, and tCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e per metric:

Average full time equivalents ("FTE") for the year was 3,430 (2019/20: 3,897).

Directors' Report

The Directors present the Group Annual Report and Financial Statements and Company Financial Statements for the year ended 28 March 2021.

Expected future developments

Expected future developments are detailed in the Chief Executive's statement on pages 7 and 8.

Stakeholder Engagement

Details of stakeholder engagement is included in the S172(1) statement on page 28 and 29 and the Remuneration Committee Chairman's Statement on page 30.

Results and dividends

The loss after taxation for the year was £597 million (2020: loss of £305 million). The Directors do not recommend the payment of a dividend (2020: £nil).

Political contributions

No political contributions were made in the year (2020: £nil).

Research and development

No claim for research and development was submitted during the year. Our first research and development claim was submitted during 2018/19 in respect of 2017/18 and 2016/17. The claim related to IT transformation projects.

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:

T C Parker

A C J Cameron

T K G Cooper

L C Harrington *(appointed 8 April 2020)*

K S McCall

Z H Patel *(appointed 26 November2019)*

N J Read (appointed 16 September 2019)

C R Stent

S G Ismail *(appointed 3 June 2021)*

E M Jacobs *(appointed 3 June 2021)*

B J Tidswell *(appointed 27 July 2021)*

No Director has a beneficial interest in the share capital of Post Office Limited. The emoluments of Directors are set out in the Remuneration Committee Chairman's Statement on pages 32 to 42.

Directors' indemnity

As at the date of approval of the Directors' report a qualifying indemnity provision, made by the company, is in force for the benefit of all Directors of the company.

People

Our people are critical to our success to meet our organisational purpose and to allow our Postmasters to serve the communities in which we operate by attracting, motivating and developing our people. To do this we:

- Conduct regular employee surveys, including culture surveys, and use the feedback to track progress and make improvements.
- Issued regular 'Pulse' surveys since the start of the COVID-19 pandemic to gauge the mood of employees and ensure that we are offering the right type of support.
- Regularly provide information on Company performance, policies and organisational developments through our weekly CEO presentations, intranet, briefing sessions and company-wide emails.
- Operate our Learning Academy to provide high quality learning for all employees and Postmasters, aiming to ensure that everyone is supported into reaching their full potential.
- Invest in developing the best talent to support our business, including graduate recruitment and active participation in the apprenticeship programme, available for new and existing colleagues.
- Are committed to providing a safe working environment that promotes the health, safety and wellbeing of employees. A range of services are provided to help all employees stay mentally and physically healthy, including trained mental health first-aiders.
- Collect and report the diversity information of our employees to track and ensure that diversity programmes are moving in the right direction.
- Promote diversity and inclusion and celebrate the diversity of the workforce and communities we serve. We have a number of active employee network groups such as: Affinity - Women at Post Office, to support and nurture female talent; Prism, which supports and celebrates our LGBTQ+ community; Post Office Ethnic Minorities ("POEM") which supports Black, Asian and Minority Ethnic colleagues, and Be You which supports colleagues with a disability.
- Proactively communicate that we are a Disability Confident Leader and actively try to attract talented people to Post Office from diverse backgrounds. We do this through our corporate careers webpage and by working with our recruitment agencies.
- Set diversity and inclusion targets including 50% equal gender representation and 14% BAME representation through all levels of the Post Office by 2024. See page 42 to 44 for more detail.
- Ask all applicants to inform us of any reasonable adjustments we can make to ensure they are not disadvantaged due to a particular disability during the selection process and throughout their employment, including training, career development and promotion.
- Before hiring new team members, line managers must undertake unconscious bias training to reduce instances of bias in the recruitment process.
- Do not tolerate any form of bullying, harassment, victimisation or discrimination whether written, verbal, visual or physical. We are committed to taking the necessary action to ensure that they do not occur, or where they do occur that they are dealt with quickly and eliminated, by following a consistent, fair and robust Bullying and Harassment Policy and Procedure. All managers are required to complete Dignity at Work training to ensure they understand their responsibilities and that they demonstrate the correct behaviours and treat everyone with dignity and respect at all time.

Disabled employees

As noted above, Post Office has been recognised as a Disability Confident Leader. We have a Disability Confidence networking group called 'Be You'. This group provides support and advice and helps the business to do the best it can for employees with disabilities. We also make necessary adjustments for colleagues who are disabled or become disabled during the course of their employment to allow them to carry out their role and fulfil their potential, including any specific training needs.

Gender pay gap

Gender pay gap is detailed in the Remuneration Committee Chairman's Statement on pages 43 and 44.

Post balance sheet events

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

- 2021/22 Government funding receipts,
- 2022/23 to 2024/25 Government funding agreement,
- Overturned Historical Convictions payments and funding,
- Additional compensation for GLO claimants, and
- Employment tribunal claim.

Further details are provided on page 119.

Going concern

After careful consideration of the plans for the coming years, factoring in the impact of the COVID-19 pandemic and the support of Government, we 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 assessing the going concern position, the Board has considered the Group's financial forecasts for the 15 months to 31 July 2023.

In recent years, the Group has become profitable at a trading level. However, trading profit peaked in 2019/20 and has fallen by over 50% in the subsequent years. This is due to the ongoing impact of the COVID-19 pandemic, notably on the travel business, rising inflationary pressures on the costs of both the Group and Postmasters and the removal of the trading profit contribution of the Telecoms business following its sale in 2020/21.

The Government has been providing investment funding, subsidy payments and working capital facilities. Such funding was steadily declining as the business improved its profitability. It is now of increasing importance again, partly because of the reduced profitability described above and partly because the Group must fund the very considerable costs of supporting and enabling compensation and legal justice for wronged Postmasters and Sir Wyn William's Statutory Inquiry. In addition, the business needs to make ongoing investments, notably replacing the Horizon EPOS system. As set out below, compensation for Postmasters is mostly being funded directly by Government. However, some £86 million of compensation under the HSS must be funded by the Group from trading profit and the proceeds of the sale of the Telecoms business.

For 2021/22, the Group received £50 million of Network Subsidy Payments and £177 million in investment funding, made up of a £125 million equity injection and a £52 million loan. In addition, the £950 million working capital facility and £50 million same-day liquidity facility were both extended to 31 March 2024. Looking ahead to 2022/23 through to 2024/25, Government has continued to evidence its support of Post Office by committing to provide £150 million in Network Subsidy Payments and £185 million in investment funding, to be received as a grant.

Compensation and settlement for Postmasters remains highly material and deeply uncertain. The continued support of Government is therefore critical in the Directors' view of the Group's going concern position.

For the specific one-off matters, Government has agreed to provide sufficient financial support to Post Office to ensure that the HSS can proceed and settlement payments for OHC can be made, with agreed funding in excess of the current provisions. Funding of up to £233 million has been guaranteed for the HSS provided that the Government's operational and approval processes are followed and all initial offers are sent out by 31 March 2023. Funding of up to £780 million has been guaranteed for compensation to Postmasters who were wrongly convicted of criminal offences ("OHC"). Discussions are underway on funding other Postmaster Remediation and the Government has written a letter of comfort stating its intention to provide support, subject to future approval processes.

There is significant estimation uncertainty within the HSS and OHC provision calculations, which are explained further within note 1 to the financial statements. Funding is currently being sought and finalised in relation to potential future payments for claims which may be received in relation to areas of possible Postmaster Remediation. The funding commitments received provide evidence of continued support from Government. Further assurances related to unquantified potential cash outflows, such as any possible additional aspects of

Postmaster Remediation, cannot be given as it is not the nature of Government's budget process to provide guarantees for unquantifiable potential liabilities.

In 2019/20 the Group agreed and subsequently made payment of a full and final settlement with the GLO claimants, thus extinguishing any liabilities which the Group had in respect of the GLO. In March 2022 the Government announced its intention to provide additional compensation payments to the individual claimants that formed the GLO. It is clear that Post Office will not be asked to fund this additional compensation. Government's announcement does not create a liability for the Group.

However, the Government have yet to announce the process through which additional compensation will be paid to the GLO claimants. Presently, the Group has not been asked by Government to either run or partake in any such process. When considering the HSS and OHC processes, where compensation is partly funded by Government, Post Office has been required to oversee and pay for the running costs of the processes. Confirmation has therefore been sought from Government to provide assurances that if Post Office is requested to partake in or oversee any such process for GLO claimants then the costs associated will not be borne by the Group. This assurance has not been forthcoming.

The going concern assessment does not include cashflows associated with Government's intention to provide additional compensation to GLO claimants, either compensation payments or process running costs. The costs of any future process are not known. However, there are circumstances where the costs of supporting such a process could call into question whether the Group can remain in compliance with its borrowing covenants and therefore remains a going concern. The Directors have assessed that excluding such cashflows from its forecasts is reasonable on the basis that Post Office has no present liability in respect of GLO claimants and the Government has provided general assurances about their intentions to continue to support Post Office.

The Directors have received written assurances from BEIS that they place a high priority on Post Office's ability to continue delivering vital public services and as such will continue to support the Group. This includes the intention to provide support if / when required in respect of HSS, Overturned Historical Convictions and Postmaster Remediation to the extent that contractual support has not already been committed or is not sufficient to cover the eventual costs.

There still remains an element of funding uncertainty, with the existence of some potential future liabilities, which may or may not have a significant adverse impact on the Group, for which guaranteed funding is not in place. However, the Directors believe the guarantees and assurances received, when considering the legislated nature of the Government funding process which creates restrictions on guarantees, provide enough assurances to evidence Government's continued support should future material liabilities arise in relation to the items highlighted within these financial statements.

Management has performed a cashflow assessment for a period of 15 months to the end of July 2023, factoring in no further funding beyond that agreed above, whilst assuming any cash outflows arising as a result of potential Postmaster Remediation will be funded by Government and that there will be no cashflows associated with the GLO claimants and the process which may ensue. This assessment supports the Directors' view that the Group can continue to meet its liabilities as they fall due for the period under review.

The assumption of continued Government support in relation to i) potentially material future cash outflows, which may or may not arise in respect of HSS and OHC related settlements in excess of amounts already guaranteed by Government; ii) potential payments to be made for Postmaster Remediation for which Government funding is not yet guaranteed; and iii) possible future requests by Government resulting in cash outflows for Post Office to meet compensation payments or process running costs associated with the Government's intention to provide additional compensation to GLO claimants, which could occur during the going concern period such that Post Office requires additional support, represent material uncertainties which may cast a significant doubt on the Group's and Company'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 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 on pages 102 to 104.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware, that each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditor

The Board reappointed the auditors, PricewaterhouseCoopers LLP, for financial year 2021/22 on 21 April 2022.

Directors' responsibilities statement

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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). In preparing the Group financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs issued by IASB 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.

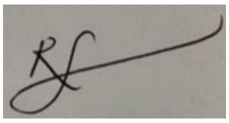
The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements 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.



Rachel Scarrabelotti

Interim Company Secretary, Post Office Limited

(Company Number 2154540) Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ

29 April 2022

Financial Statements

Independent Auditors' Report to the members of Post Office Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- 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 28 March 2021 and of the Group's loss and the Group's cash flows for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements 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, comprising 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 & Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 28 March 2021; 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, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the 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, 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The cash flow forecasts for the Group and Company during the going concern period ending 31 July 2023 contain assumptions regarding continued Government support in relation to i) potentially material future cash outflows, which may or may not arise in respect of Historical Shortfall Scheme ("HSS") and Overturned Historical Convictions ("OHC") related settlements in excess of amounts already guaranteed by Government, ii) potential payments to be made for Postmaster Remediation ("PR") for which Government funding is not yet guaranteed; and iii) possible future requests by Government resulting in cash outflows for Post Office to meet compensation payments or process running costs associated with the Government's intention to provide additional compensation to GLO claimants. These could occur during the going concern period and Government funding is not guaranteed for all potential outflows. The directors have received written assurances from BEIS that it is the Government's intention to continue to support the Post Office, however, given the nature of Government funding protocols this support does not constitute a financial guarantee. These conditions, along with the other matters explained in note 1 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 budgets and cash flow forecasts prepared by management and assessing the severe but plausible downsides for both trading profit and exposures relating to OHC, HSS and PR, with the latter leading to a material uncertainty over going concern. We challenged management on their assumptions, including on the severity of their Trading Profit downside, validating the mathematical accuracy of the model's calculations, including headroom;
- corroborating the existence of government funding and the extension of working capital facilities to signed agreements; and.
- reviewing the disclosures in the basis of preparation and Directors' Report.

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 valuation of Historical Matters related provisions

In forming our opinion on the financial statements, which is not modified, we draw attention to the estimation uncertainty which is disclosed in relation to the valuation of the HSS provision, the OHC provision and the PR provision as explained in note 1 (Critical accounting estimates and judgements in applying accounting policies) to the financial statements. Post Office Limited ("POL") has recognised provisions of £150 million related to the HSS, £502 million related to the OHC and £59 million related to PR. In aggregate the financial statements include provisions in respect of these Historical Matters of £711 million. As disclosed in note 1, Government has stated its intention to provide sufficient financial support to ensure that POL can meet the cost of these liabilities. Although the directors have based the provisions on their best estimate, including input from legal advisors, there is significant estimation uncertainty in determining the ultimate amounts that will be payable in respect of these Historical Matters. In particular the provisions are highly sensitive to assumptions regarding i) the estimated average payment value per claim in respect of the HSS; ii) the estimated number of claimants to whom payments will be made and the estimated average value of such payments in respect of OHC settlements; and iii) the number of eligible Postmasters who will receive payments and the average value of such payments in respect of PR. 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. 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 28 March 2021 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, 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 Directors' responsibilities statement, 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 and 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 litigation provisions, the assumptions within the property, plant and equipment and intangible impairment assessments, and the assumptions underpinning the defined benefit pension obligation; 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

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

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

29 April 2022

Consolidated Income Statement

for the 52 weeks ended 28 March 2021 and 52 weeks ended 29 March 2020

	Note	2021 £m	2020* £m
Revenue from contracts with customers	2	**815**	807
Costs		**(793)**	(791)
Costs – investment spend	5	**(29)**	(85)
Costs – exceptional items	4	**(626)**	(232)
Total costs		**(1,448)**	(1,108)
Other operating income		**3**	19
Funding for exceptional items	4	**64**	-
Investment funding	5	**-**	42
Network Subsidy Payment		**50**	50
Depreciation, amortisation and impairment	4,5	**(126)**	(154)
Share of post-tax (loss)/ profit from joint venture	11	**(7)**	28
Operating loss from continuing operations	4	**(649)**	(316)
Operating loss before exceptional items from continuing operations		**(87)**	(84)
Finance costs	7	**(7)**	(11)
Loss before taxation from continuing operations		**(656)**	(327)
Taxation credit	8	**1**	8
Loss for the financial year from continuing operations		**(655)**	(319)
Profit after taxation for the financial year from discontinued operation	21	**58**	14
Loss for the financial year		**(597)**	(305)

* Comparatives have been re-presented as a result of the disposal of the Telecoms business, which represents a discontinued operation. See note 21 for further details.

For the year ended 28 March 2021 trading profit was £35 million (2020: £86 million).

Trading profit is one of the Group's key financial measures and is calculated as operating loss excluding exceptional items, depreciation, amortisation, impairment, investments, Network Subsidy Payment and profit on disposal of discontinued operations. Further detail is given in note 24 – alternative performance measures.

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 28 March 2021 and 29 March 2020

	Note	2021 £m	2020* £m
Loss for the financial year from continuing operations		**(655)**	(319)
Profit for the financial year from discontinued operations	21	**58**	14
Items that may be reclassified to profit or loss			
Loss on cash flow hedge	17	**(2)**	(1)
Items that will not be reclassified to profit or loss			
Re-measurements on defined benefit surpluses	18	**-**	1
Total other comprehensive expense		**(2)**	-
Total comprehensive expense for the year		**(599)**	(305)

* Comparatives have been re-presented as a result of the disposal of the Telecoms business, which represents a discontinued operation. See note 21 for further details.

There are no additional other comprehensive income items (2020: £nil) that will be reclassified to the profit and loss in future periods.

Consolidated Statement of Cash Flows

for the 52 weeks ended 28 March 2021 and 29 March 2020

	Note	**2021 £m**	2020 £m
Cash flows from operating activities			
Operating (loss) / profit before investments and exceptional items	25	**(39)**	6
Adjustment for:			
Share of loss / (profit) from joint venture	11	**7**	(28)
Depreciation and amortisation	9,10	**124**	130
Pension defined contribution charge	18	**11**	12
Other (gains) / losses		**2**	13
Working capital movements:		**94**	-
(Increase)/decrease in trade and other receivables (excluding exceptional funding)		**(9)**	59
Decrease in contract assets		**2**	6
Increase/(decrease) in trade and other payables		**98**	(66)
Decrease in inventories		**-**	1
Increase in trading provisions		**3**	-
Pension contributions paid		**(18)**	(19)
Net payment in respect of investments and exceptional items:		**(115)**	(185)
Investment funding		**-**	42
Restructuring and other exceptional costs		**(114)**	(158)
Litigation costs – GLO		**(1)**	(69)
Surrender of tax losses to joint venture		**-**	8
Net cash inflow/(outflow) from operating activities		**66**	(63)
Cash flows from investing activities			
Dividends received from joint ventures	11	**14**	27
Proceeds from sale of discontinued operation	21	**59**	-
Proceeds from the sale of property, plant and equipment		**9**	-
Purchase of tangible non-current assets	10	**(9)**	(27)
Purchase of intangible non-current assets	9	**(27)**	(76)
Net cash inflow/(outflow) from investing activities		**46**	(76)
Cash inflow/(outflow) before financing activities		**112**	(139)
Cash flows from financing activities			
Finance costs paid		**(4)**	(8)
Lease payments		**(14)**	(15)
Net (repayments) / proceeds of borrowings from BEIS	15	**(191)**	52
Net cash (outflow) /inflow from financing activities		**(209)**	29
Net decrease in cash and cash equivalents		**(97)**	(110)
Cash and cash equivalents at the beginning of the year	13	**462**	572
Cash and cash equivalents at the end of the year	13	**365**	462

See note 21 for details regarding cash flows relating to the discontinued operation.

Consolidated Balance Sheet

at 28 March 2021 and 29 March 2020

	Note	**2021 £m**	2020 £m
Non-current assets			
Intangible assets	9	**191**	247
Property, plant and equipment	10	**149**	199
Investments in joint venture	11	**46**	67
Retirement benefit surplus	18	**1**	1
Trade and other receivables	12	**74**	7
Total non-current assets		**461**	521
Current assets			
Inventories		**2**	1
Trade and other receivables	12	**268**	283
Cash and cash equivalents	13, 17	**365**	462
Total current assets		**635**	746
Total assets		**1,096**	1,267
Current liabilities			
Trade and other payables	14	**(505)**	(408)
Financial liabilities - interest bearing loans and borrowings	15	**(426)**	(617)
Provisions	16	**(54)**	(31)
Total current liabilities		**(985)**	(1,056)
Non-current liabilities			
Other payables	14	**(43)**	(70)
Provisions	16	**(724)**	(198)
Total non-current liabilities		**(767)**	(268)
Net liabilities		**(656)**	(57)
Equity			
Share capital	19	**-**	-
Share premium	19	**465**	465
Accumulated losses		**(1,123)**	(526)
Other reserves	19	**2**	4
Total equity		**(656)**	(57)

The notes on pages 71 to 120 form an integral part of the consolidated financial statements.

The financial statements on pages 66 to 120 were approved by the Board of Directors on 29 April 2022 and signed on its behalf by:

N Read

Chief Executive Officer

Consolidated Statement of Changes in Equity

for the 52 weeks ended 28 March 2021 and 29 March 2020

	Note	Share capital £m	Share premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 30 March 2020		**-**	**465**	**(526)**	**4**	**(57)**
Loss for the year		**-**	**-**	**(597)**	**-**	**(597)**
Other comprehensive expense		**-**	**-**	**-**	**(2)**	**(2)**
At 28 March 2021		**-**	**465**	**(1,123)**	**2**	**(656)**

	Note	Share capital £m	Share premium £m	Accumulated losses £m	Other reserves £m	Total equity £m
At 1 April 2019		-	465	(226)	5	244
Changes in accounting standards	1	-	-	4	-	4
Restated at 1 April 2019		-	465	(222)	5	248
Loss for the year		-	-	(305)	-	(305)
Other comprehensive expense		-	-	-	(1)	(1)
Re-measurements on defined benefit surplus	18	-	-	1	-	1
At 29 March 2020		-	465	(526)	4	(57)

Notes to the Financial Statements

1. 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 52 weeks ended 28 March 2021 (2020: 52 weeks ended 29 March 2020).

Basis of preparation

The Group financial statements on pages 66 to 120 have been prepared in accordance with international accounting standards in conformity with requirements of the Companies Act 2006. 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 several potentially material future cash outflows which may or may not arise and for which Government funding is not at this point guaranteed. Further details can be found in the going concern assessment on pages 72 to 76.

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.

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. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Post Office Limited is a private company limited by shares incorporated in England and Wales.

Income statement presentation

In prior years, investment funding from Government, restructuring, impairment and transformation costs were separately disclosed from trading performance in an investments column. As of 2020/21 these items, to the extent they existed, are included within a single column, but remain identifiable through separate disclosure in the income statement. The change in presentation is as a result of no investment funding being received from Government in 2020/21. Trading profit, which represents the underlying performance of the business, is separately disclosed in note 24 as an alternative performance measure.

Discontinued operations

During the year, the Group disposed of the Telecoms operation, which represented a separate line of business. The net results of the Telecoms operation, up until disposal, are presented as discontinued operations in the Group consolidated income statement. Comparatives have been re-presented – see note 21 for further details.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings as at 28 March 2021. 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 both Post Office Management Services Limited (subsidiary, registered address: Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ) and Payzone Bill Payments Limited (subsidiary, registered address: Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ) for the 52 weeks ended 28 March 2021.

The year-end dates of these subsidiaries are in line with the Company. 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:

- IAS 1 & IAS 8 'Definition of materiality';
- IFRS 7, IAS 39 & IFRS 9 'Interest rate benchmark reform';
- IFRS 3 'Definition of a business'; and
- IFRIC IC agenda decision on Configuration and Customisation ('CC') costs in a Cloud Computing Arrangement.

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. Of these, there are none that are expected to have a material impact on the net assets, results and disclosures of the Group.

Basis of preparation – going concern

After careful consideration of the plans for the coming years, factoring in the continued impact of the COVID-19 pandemic and the continuing support of Government, we 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 assessing the going concern position the Board has considered the Group's financial forecasts for the 15 month period to 31 July 2023.

This judgement is predicated on the assumption that Government will continue to provide financial support when it is needed. The assumption of continued Government support is in relation to: i) potentially material future cash outflows, which may or may not arise in respect of HSS and OHC related settlements in excess of amounts already guaranteed by Government; ii) potential payments to be made for Postmaster Remediation for which Government funding is not yet guaranteed; and iii) possible future requests by Government resulting in cash outflows for Post Office to meet compensation payments or process running costs associated with the Government's intention to provide additional compensation to GLO claimants, which could occur during the going concern period such that Post Office requires additional support.

In addition to providing funding for investments and to subsidise the loss-making branches, what we might term "traditional" funding, we are facing significant liabilities and uncertainties:

- HSS: A provision of £150 million has been recognised. Guaranteed Government funding in excess of this level is in place through to March 2024. As outlined in the critical accounting estimates section on pages 76 and 77, significant estimation uncertainty around this provision balance remains, however we believe the level of funding agreed should be adequate.

- OHC: A provision of £502 million has been recognised in 2020/21. In 2021/22 Government has committed to provide funding of up to £780 million, which is in excess of the current estimated liability. As outlined in the critical accounting estimates section on page 77 and 78, significant estimation uncertainty around this provision balance remains, however we believe the level of funding agreed should be adequate.

- Postmaster Remediation: A provision of £59 million has been recognised in 2020/21 and it is recognised there is the potential for further liabilities to arise in future years should ongoing reviews identify any further areas of potential redress. See critical accounting estimates section on page 78.

- GLO: In March 2022 the Government announced its intention to provide additional compensation payments to the individual claimants that formed the GLO. It is clear that Post Office will not be asked to fund this additional compensation and Government's announcement does not create a liability for Post Office. However, assurances have not been forthcoming from Government around its intention to request Post Office to partake in, or oversee a process for compensation payments to be made and if such a request was made whether the costs of running such a process would be funded by Government. Any such costs have not been included within the going concern assessment. This represents an uncertainty for management albeit the risk of costs being incurred without associated funding is deemed remote.

Government has and continues to demonstrate its commitment to support Post Office, albeit significant funding uncertainty remains:

- The nature of our funding, all of which is essentially provided by Government, is that it is provided when needed;
- Commitments to future funding have either to be part of a wider departmental spending review or be based on a specific, quantified case;
- Departmental spending commitments and our funding contract with BEIS last until March 2025, although our working capital facility with BEIS is currently contracted to March 2024;
- We are not in a position to quantify any possible future liabilities which might arise as a result of Post Office's continued review of historical policies and processes or the financial implications if Government were to request Post Office partake in the compensation process for GLO claimants and incur unfunded costs; and
- It is clear that Government can, if it believes it is in the public interest, change its mind and stop funding Post Office, the HSS or the OHC.

Nonetheless, traditional funding has been provided and funding for HSS and OHC has been committed. The Shareholder has provided letters of comfort. Every indication has been given that Government considers the work of Post Office to be vital and our underlying commercial progress valued. We have been assured that if Government support were to come into question we would be told promptly.

Having reviewed the Group's going concern position for the period to 31 July 2023 and taking the Shareholder support into account, the Board has concluded that the Group is a going concern and can continue to settle its liabilities as they fall due. As part of this assessment, the Board considered the net liability position of the Group, created by the recognition of the HSS, OHC and Postmaster Remediation provisions, for which only partial funding has been recognised to date, in line with accounting standards.

The lack of a formal signed agreement for continued Government support represents a material uncertainty which may cast a significant doubt on the Group's and Company'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.

Performance and position

In recent years, facilitated by continued Government support, the Group has been on a transformational journey which has enabled it to become profitable at a trading level. However, the ongoing impact of the COVID-19 pandemic, notably on the travel business, along with increasing inflationary cost pressures for the Group and Postmasters alike, continues to impact profitability. These pressures, when combined with the removal of trading profit contribution from the Telecoms business following its sale in 2020/21, mean that despite the Group remaining profitable this is not to the same levels as those seen in 2019/20.

During the early stages of 2020/21, reduced trading activity resulted in a notable decline in cash transactions, leading to significant reduction in security headroom. Subsequently the level of cash transactions has increased. A security headroom waiver was obtained from BEIS for the period 30 April 2020 through to 28 June 2020. Although ultimately the waiver was not required, it has provided management with comfort that should short-term headroom breaches be forecast, the funding facilities should still be available, subject to further waivers being granted. At its lowest point, the headroom on the £950 million facility reduced to £258 million (£692 million drawn) in January 2022.

As a result of the decline in trading activity, the carrying values of assets have been reassessed. In one case, Payzone Bill Payments Limited, we have recognised some uncertainty in recovery and impaired the carrying value of relevant assets, as can be seen in note 9. Impairment does not directly impact going concern, but it does provide an indication of uncertainty which management have considered and assessed whilst looking at cashflow forecasts associated with the going concern review.

Post Office's current financial position is not dissimilar to that seen historically, being in a net liability position and reliant on Government funding. Given the expectation of necessary Government support, the net liability position is not deemed to have an adverse impact on the going concern position.

The underlying trading performance of the Group and its ability to therefore generate cash is not deemed to be an area of concern, notwithstanding the need for investment and Network Subsidy funding from Government.

Funding - traditional

The Group's activities are funded by Government. This traditional funding has been in different forms:

- Investment funding: Funding received for transformational activities. The funding, which is combined with the Group's own funds derived from trading, is used to fund transformational projects which are assessed via a formal business case review process. Monitoring and review activities are undertaken, with routine reporting to the Shareholder.
- Network Subsidy: Payment received to partially subsidise the gross losses incurred by Post Office as a result of making available the network of public Post Offices that the Secretary of State for BEIS considers appropriate. If the subsidy were to exceed the cost of making the network available, the excess would be repaid to Government.
- Financing facilities: £950 million working capital facility, £50 million same day facility and membership of the Bank of England ("BOE") Note Circulation Scheme ("NCS"). The working capital facility exists to provide liquidity to the Group, with forecasting, monitoring and reporting of security headroom occurring. Security headroom is a covenant which ensures there is sufficient collateral in the form of cash and other assets to cover the borrowings under the facility. The same-day facility has not been used but is in place to provide short-term liquidity should an operational need arise in the period between requesting the appropriate balance on the working capital facility and this balance being provided, currently 24 hours. The continued participation in the NCS ensures that Post Office has an adequate supply of notes to meet customer demand across its network, see note 23 for further details.

The continued availability of this funding, or a suitable alternative, is necessary to allow the Group to continue to be assessed as a going concern.

In respect of these items, and therefore playing a crucial part in the going concern assessment, is the status and availability of each of these over the going concern period being assessed.

The agreed Government funding which falls within the going concern period under review includes: £185 million investment funding for the three year period 2022/23 through to 2024/25; £150 million Network Subsidy Payment for the same three year period; and the existence of the £950 million working capital facility and £50 million same-day liquidity facility, both to 31 March 2024.

The continued inclusion in the BOE NCS is assumed, given the role Post Office plays in ensuring the distribution of notes across the UK.

When compared with the forecasted future cashflows of the Group and considering severe but plausible downside trading scenarios, including the ongoing impact of the COVID-19 pandemic, the level of funding available to support regular operations and continued development of the organisation is deemed adequate. From the perspective of traditional funding, the Group can therefore be considered a going concern.

Funding – exceptional and contingent

There are three items which have the potential to result in significant cash outflows in the going concern period and beyond, for which the traditional funding could be insufficient. These include:

- HSS: Payments due to be made to claimants as part of the HSS. A provision of £150 million has been recognised, reduced from £153 million in 2019/20. Government funding in excess of the current provision is in place. Post Office will fund a significant portion of the payments before drawing down on Government funding. An asset of £64 million has been recognised in 2020/21 in respect of the portion expected to be funded by Government, based on current forecasts.
- OHC: Compensation payments to be made in respect of civil claims following the overturning of historical criminal convictions. A provision of £502 million has been recognised in 2020/21, representing management's best estimate of potential future payments to claimants. Government has agreed to provide funding up to £780 million in respect of these payments. As the funding was not agreed until after the balance sheet date, no asset has been recognised within these financial statements, in line with accounting standards. However, the funding is in place as at the time of signing these financial statements and is therefore pertinent to the Board's going concern assessment.
- Postmaster Remediation: Payments to be made to Postmasters as financial redress in respect of historical policies and processes. A provision of £59 million has been recognised in 2020/21, representing management's best estimate of potential future payments to eligible Postmasters who did not receive remuneration during periods of suspension before March 2019, when this policy changed. Government has provided a comfort letter stating its intention to provide support in respect of these liabilities and as such management has assumed this financial support will be forthcoming as part of their going concern assessment. The Directors acknowledge that as the Group continues to review its historical policies and processes further associated liabilities may arise, in addition to suspension remuneration, and the impact of those liabilities could fall within the going concern period.

Where provisions have been recognised in respect of the above, there is a significant level of management estimate included in the provision calculations, which is explained further within the critical accounting estimates section on pages 76 to 78. As such, the quantum and timing of potential cash outflows could vary materially from the estimates made.

The costs of historically managing and settling the GLO, of settling a significant portion of the HSS and of managing both the HSS and OHC have been and will be funded through Post Office's trading cashflows. The costs are determined in part by the processes and approvals that Post Office must follow. Without Government's support, Post Office does not have the financial resources to fund HSS, OHC, Postmaster Remediation or any cashflows which may arise as a result of Government's intention to provide additional compensation to GLO claimants.

The nature of Government's budget process does not typically enable Government to give uncapped guarantees or future funding commitments that sit outside Government spending review timelines. As such, Government funding cannot be assured in respect of future liabilities which may arise in respect of Postmaster Remediation or in respect of any cashflows which may arise as a result of Post Office assisting Government with providing additional compensation to the GLO claimants.

This lack of guaranteed funding for what could be material cash outflows is a source of material uncertainty impacting the going concern assumption. BEIS has provided written assurances that its present intention is to continue providing support to Post Office, including providing financial support for the settlement of Postmaster Remediation claims. This does not constitute a financial guarantee.

Management has made the assessment that support from Government will continue to be made available, as recently evidenced by the renewed traditional funding arrangements and the agreement to fund HSS and OHC.

As such, the basis of preparation of these financial statements on a going concern basis is predicated on the assumption that should additional funding be required for the significant items highlighted above, it will be provided by Government.

The notable difference from previous years is the existence of potentially material future cash outflows associated with Postmaster Remediation, for which funding is not guaranteed as well as the potential for HSS and OHC related settlements to exceed amounts already guaranteed by Government. Furthermore, there is now uncertainty around what role Post Office may play in the process for providing compensation to GLO claimants in line with Government's announced intentions, and to what extent this will impact our future cashflows.

As noted above, we believe that Government support will be available when there is clear evidence that it is required. If that situation changes, the Shareholder has assured the Board that it will be informed.

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 twelve months, are outlined below.

Critical accounting estimates:

Historical 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 a Group Litigation Order dated 22 March 2017 (the "Post Office Group Litigation"). 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, known as the Historical Shortfall Scheme ("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.

Under the framework for the operation of the HSS, eligible applications are being investigated by Post Office before being presented to an Independent Advisory Panel (the "Panel") by case assessors from Post Office's legal advisers, Herbert Smith Freehills LLP. The Panel comprises independent experts in the fields of law, forensic accounting and retail. The Panel will independently assess each claim that is presented to it and formulate a recommended offer based on its understanding of the relevant legal principles to be applied and guided by broad considerations of fairness. Following assessment of a claim by the Panel, Post Office will write to the individual applicant setting out the outcome of their application, including the terms of any offer. There is a dispute resolution mechanism available to applicants if they are dissatisfied with the outcome of their application. This includes a mediation stage to be conducted under the auspices of Wandsworth Mediation Services, a charitable organisation. In the event that claims are not resolved through the dispute resolution mechanism, disputes will be referred to and be resolved by the County Court (for smaller disputes) or through arbitration (for disputes in excess of £10,000).

The HSS launched on 1 May 2020 and officially closed for applications on 14 August 2020 (although late applications have been accepted in exceptional circumstances). As at 25 April 2022, the HSS had received 2,369 eligible applications from current and former Postmasters. Of these, 434 are fully quantified, 1,601 are part quantified and 334 are unquantified claims. HSS is now closed to new applications. Settlement offers have been issued to 1,243 claimants and of these 952 have been settled.

A provision of £153 million was recognised within exceptional costs in 2019/20. As at the 2020/21 balance sheet date the provision stands at £150 million. The reduction is a result of payment of a number of settlements to scheme applicants in the period and revisions to management's estimate based on information arising from assessments made by the independent panel. This 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 the level of estimation risk increased as a result of the volume and range of claims received and the early stage of the settlement process.

As a result of the early stage of the HSS settlement process, with limited trends and patterns currently arising out of the Panel's assessments on which management can base its estimates, many of the assumptions remain subjective. As a result, the eventual outcome of the HSS could vary significantly to that which has been estimated.

Analysis performed over the assumptions used indicates a wide range of possible outcomes, with the upper range indicating that the cost of payments could double when compared with that recognised as a provision, to in excess of £300 million. If the estimated average payment value per claim increased/decreased by 10%, as compared to the average value assumed in arriving at the provision calculation, the provision would increase/decrease by £15 million and could have a further highly material impact on the financial statements.

Government has confirmed it will provide sufficient financial support to Post Office to ensure that the scheme can proceed, based on current expectations of the potential cost. As outlined above, significant uncertainty around the provision balance remains, however we believe the level of funding agreed should be adequate. An asset of £64 million (2020: £nil) has been recognised in the year in respect of the portion of the £150 million HSS provision which will be funded by Government, as guaranteed funding was in place at the balance sheet date for scheme liabilities in excess of an initial £86 million which are to be funded directly by Post Office, and thus the accounting requirements for asset recognition were met.

Overturned Historical Convictions

In relation to Overturned Historical Convictions, further information of which can be found on page 14 of the Financial and Business review, management's view is that liabilities arising from any future civil claims or requests for compensation arising out of the overturned convictions to date represent a probable obligation arising from past events. Post Office communicating its decision in 2020/21 not to oppose a number of appeals was deemed to be a triggering event for liability recognition. The triggering event is deemed to apply to the population of all potential claimants as opposed to only those currently going through the various stages of appeal as outlined above.

As such, a provision of £502 million (2020: £nil) has been recognised in respect of the Overturned Historical Convictions ("OHC"). This represents management's latest and best estimate of the most likely outcome of the potential future payments associated with civil claims which 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 early stage of the proceedings.

Given the volume of and uncertainty around the number of potential claimants, the spread of potential claim values and the early stage of the process, with no payments having been made except for a small number of interim payments, there is a significant level of estimation uncertainty. In estimating the provision, management have made two key estimates: the number of claimants to whom payment will be made and the potential average value of payments to be made. The assumptions used are subjective, but represent management's best estimate based on advice from external legal advisors. 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 20% change in the key assumptions could lead to an increase / decrease of c. 40% in the provision level. 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 OHC. Should the future payments exceed the current funding level guaranteed by Government of £780 million, additional support will be sought from Government. See the Going Concern section on pages 72 to 76 for further details surrounding Government support. An asset has not been recognised in respect of Government funding, as guaranteed funding was not formally in place at the balance sheet date and thus the accounting requirements for asset recognition were not met.

Postmaster Remediation – suspension remuneration

Historically, 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 £59 million has been recognised within exceptional costs in the year. This represents management's best estimate of the potential future payments to eligible Postmasters whose contract with Post Office Limited was suspended before March 2019. A number of significant 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.

As the redress process is currently being worked through and formal funding arrangements are still to be finalised, no trends or patterns exist on which management can utilise when forming its estimates. As such, many of the assumptions are subjective and therefore the eventual outcome could vary significantly 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.

Analysis performed over the assumptions used indicates a wide range of possible outcomes. If the estimated average individual payment value increased/decreased by 20%, as compared to the average value assumed in arriving at the provision calculation, the provision would increase/decrease by £12 million and could have a further material impact on the financial statements.

Government has stated its intentions to provide sufficient financial support to Post Office for this, with formal funding arrangements being progressed. As assurances over Government funding were not formally in place at the balance sheet date, and in line with accounting requirements for asset recognition, no asset has been recognised on the balance sheet. This position will be revisited in future financial years, once Government funding has been finalised.

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.
- 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 value in use calculations which require the use of assumptions. The calculations use cash flow projections based on four-year financial forecasts approved by management, factoring in current economic circumstances and challenges such as the ongoing impact of the COVID-19 pandemic. Where applicable, cash flows beyond this period are extrapolated using estimated growth rates. Refer to notes 9 and 10 for the results of the latest impairment tests, including sensitivity analysis where relevant.

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.

Property provisions

The Group recognises provisions for property contracts that are 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.

Critical accounting judgements:

Pension schemes

Post Office participates in two defined benefit pension schemes. The Group recognises only the Post Office section of the Royal Mail Pension Plan and a 7% share of the Royal Mail Senior Executives Pension Plan. These key judgements are based on the sectionalised nature of the schemes as well as contractual arrangements and existing funding contribution agreements.

Network Programmes

The Group recognises provisions for payments due to Postmasters in relation to the major network transformation programme. A key judgement is required as to whether payments are expected to be made beyond the current contractual period for which the associated agreements relate.

Cash generating units ("CGU")

Post Office has determined that it has two CGUs: Post Office Limited and Post Office Management Services Limited. Post Office Management Services Limited is a standalone entity with an identifiable asset base and therefore is deemed to be one CGU. Post Office 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.

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 72 to 76, and fundamentally impacts the going concern decision made.

Revenue from contracts with customers

The Post Office business was organised in the period into three strategic commercial pillars plus the Telecoms operation which was subsequently sold in March 2021. As such, revenue segments have been updated to reflect these changes.

Mails, Retail & Government Services

Mails

The Group provides Mails support services to Royal Mail and Parcelforce. 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.

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 identity services revenue.

Banking, Payments & Transactional Services

Banking

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. In addition, the Banking Framework Agreement provides a fixed fee element based on activity levels over a 12 month rolling period. Accrued income is recognised until amounts earned are settled.

Payment & Transactional Services

Payment services comprise bill payments (including the subsidiary Payzone Bill Payments Limited). 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.

Financial Services

Our 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.

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.

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.

Telecoms

The Telecoms operation, prior to being sold on 15 March 2021, included Post Office HomePhone and Broadband services. The transaction price was the subscription fee, consisting primarily of charges for access to broadband and other internet access or voice services. Revenue was recognised as the service was provided because the customer received and used the benefits simultaneously. Post Office Limited was the principal for Telecoms revenue.

For all the revenue streams noted above, a receivable is recognised when the goods are delivered or the services are provided, as this is the point in time that the consideration is unconditional, because only the passage of time is required before the payment is due.

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

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 is reclassified as trade receivables when the right to payment becomes unconditional and we have invoiced the customer. Banking, payment and transactional services attract material amounts of accrued income.

Deferred income is recognised when we have received advance payment for goods and services that we have not yet transferred to the customer. Telecoms attracted material levels of deferred income.

Other income

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 BEIS 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.

Other income also includes commission income relating to Government Services.

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 settlement costs for ongoing litigation and one-off costs associated with the COVID-19 pandemic. Refer to note 4 for further details.

Investments

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

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.

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.

- Payments 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.
- 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 done on a CGU basis.

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.

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 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.

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.

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. 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 and motor vehicles categories include right-of-uses assets. Further detail is included in note 20.

Intangible assets

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.

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.

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:

During the year, the Group revised its accounting policy in relation to configuration, customisation and access costs incurred in SaaS arrangements, following the IFRS IC agenda decision in March 2021. The Group previously accounted for costs incurred to configure, customise and access the cloud providers application software as intangible assets. The Group has adopted the treatment set out in the IFRS IC agenda decision and such costs are now recognised as expenses in the income statement when the services are received. The prior year impact of this change in accounting treatment has been assessed and was found to be immaterial, as such this change has been accounted for prospectively, resulting in an additional charge of £5 million in the current year income statement in respect of brought forward intangible assets, as a result of the clarification issued by the IFRS IC (see note 9). The Group may incur related costs for the development of software code that enhances the capability of existing Group controlled software. 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
Customer relationships	5 years
Merchant relationships	5 – 10 years
Brands	15 years

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

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. Bad debts are written off when identified.

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 consist of cash and cash equivalents as defined above, net of bank overdrafts.

The subsidiaries Post Office Management Services Limited holds 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 is open to most 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 is a participating employer within the Royal Mail Senior Executives Pension Plan ("RMSEPP"). RMPP and RMSEPP are both defined benefit plans 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 staff 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 annually 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 BEIS. 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 profit or loss.

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 concluded that discounting would be immaterial. Therefore, no adjustment has been made in the financial statements for the effect of the time value of money.

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: FVTPL and amortised cost. 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 or cancelled or expires.

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 transfer of goods and services over time and at a point in time in the following major product lines:

Revenue segments	2021 £m	2020* £m
Mails, Retail & Government Services	445	415
Banking, Payments & Transactional Services	306	288
Financial Services, Identity Services & Insurance	52	90
Other**	12	14
Total revenue	815	807

* Where applicable, comparatives have been re-presented as a result of the disposal of the Telecoms business, which represents a discontinued operation. See note 21 for further details.

** Principally relates to Supply Chain income of £9 million (2020: £10 million) predominantly for warehousing of Royal Mail stock, transport of high value mails and release of Bank of Ireland deferred income of £2 million (2020: £3 million). The remaining £1 million (2020: £1 million) is made up of individually immaterial revenue balances.

3. Staff costs and numbers

Employment and related costs were as follows:

People costs (excluding investments):	2021 £m	2020* £m
Wages and salaries	137	143
Social security costs	15	16
Pension costs (note 18)	11	12
Total people costs (excluding investments)	163	171

* Where applicable, comparatives have been re-presented as a result of the disposal of the Telecoms business, which represents a discontinued operation. See note 21 for further details.

People costs within investments relate to severance costs as part of restructuring and are disclosed within note 5.

Period end and average monthly employee numbers were as follows:

	Period end employees		Average monthly employees	
	2021	2020	2021	2020
Total employees	3,449	3,663	3,556	4,027

Total employee numbers can be categorised as follows:

	Period end employees		Average monthly employees	
	2021	2020	2021	2020
Administration	1,172	1,090	1,131	1,146
Directly managed branches ("DMB")	1,390	1,592	1,491	1,820
Supply Chain	769	814	792	833
Network programmes	-	32	16	98
Post Office Insurance	42	43	42	50
Payzone	76	92	84	80
Total	3,449	3,663	3,556	4,027

4. Operating loss

The following items are included within operating loss:

	2021 £m	2020* £m
Postmasters' remuneration	**412**	384
People costs (excluding investments)	**163**	171
Depreciation and amortisation	**118**	127
Cost of inventories recognised as an expense	**1**	-
(Profit) / loss on disposal of fixed assets	**(4)**	4
Exceptional items:	**£m**	£m
• Historical Shortfall Scheme	**26**	153
• Overturned Historical Convictions	**524**	-
• Postmaster Remediation	**59**	-
• Group Litigation Order	**1**	72
• COVID-19 pandemic	**9**	-
• Other Legal	**7**	7
Funding for exceptional items:	**£m**	£m
• Historical Shortfall Scheme funding	**(64)**	-
Fees payable to the Group's auditor for audit and other services:	**£000**	£000
- parent Company and Group audit	**1,035**	590
- audit of subsidiaries	**110**	110
- other assurance services	**104**	86
- other non-audit services	**19**	49

* Where applicable, comparatives have been re-presented as a result of the disposal of the Telecoms business, which represents a discontinued operation. See note 21 for further details.

Exceptional costs:
Exceptional costs of £626 million (2020: £232 million) were recognised in the year. This includes Historical Matters related costs of £610 million (2020: £225 million) broken down as follows:

- Historical Shortfall Scheme ("HSS") costs of £26 million (2020: £153 million), which are made up of legal costs and costs to run the scheme of £29 million, offset by a £3 million reduction in the provision estimate (see note 16).
- Overturned Historical Convictions ("OHC") costs of £524 million (2020: £nil) which is made up of a £502 million (2020: £nil) provision recognised in the year, and £22 million (2020: £nil) of related legal and running costs.
- Postmaster Remediation provision of £59 million (2020: £nil).
- Group Litigation Order costs of £1 million (2020: £72 million). Related costs dropped significantly compared to the prior year as a resolution was reached in December 2019 and claims were settled in 2019/20. The costs in 2020/21 relate to remaining legal fees.

Historical Matters related provisions are explained in the critical accounting estimates section in note 1.

Exceptional funding:
Funding for exceptional items of £64 million was recognised in the year (2020: £nil) in line with agreed Government funding for the HSS.

Fees payable to the Group's auditor:
Non-audit services have reduced to £19,000 (2020: £49,000) due to PwC stepping down as Post Office's Executive remuneration advisor. The remaining non audit services were contracted prior to PwC's formal appointment as financial statement auditor in 2019 and the service has ceased after 2020/21 year-end. The parent Company and Group audit fee includes £150,000 additional billing for the 2019/20 audit, billed during 2020/21.

5. Investments

	2021 **£m**	2020* £m
Investment funding	**-**	42
Restructuring:		
Business transformation	**(6)**	(10)
Network programmes	**5**	(66)
IT transformation	**(12)**	(2)
Severance	**(16)**	(7)
Total restructuring costs	**(29)**	(85)
Impairment of intangible assets (note 9)	**(8)**	(27)
Unwinding of discounts on provisions	**-**	(1)
Total investments charge	**(37)**	(71)

* Where applicable, comparatives have been re-presented as a result of the disposal of the Telecoms business, which represents a discontinued operation. See note 21 for further details.

Investment funding: Investment funding was received from BEIS for transformation activities in 2019/20. No investment funding was received from BEIS in 2020/21.

Restructuring: Restructuring costs are transformational spend incurred in order to implement major transformation programmes. Business transformation is an overarching programme that will transform the business, driving Post Office toward commercial sustainability through technological innovation and the fundamental re-envisaging of long-term contracts. 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 and overhaul legacy back office systems, transitioning to a cloud-based architecture. As part of the aforementioned transformational activities, severance costs have been incurred.

Impairment: See note 9.

Unwinding of discounts on provisions: Finance costs incurred in order to unwind the discount on onerous lease provisions.

6. Directors' emoluments

No Directors were accruing pension entitlements during the period (2020: none).

Disclosures required by the Companies Act 2006 in relation to Directors' emoluments are provided on pages 37 to 40.

7. Finance costs

	2021 **£m**	2020 £m
Interest payable on loans	**(3)**	(7)
Finance charges	**(4)**	(3)
Unwinding of discounts on provisions	**-**	(1)
Total – net finance costs	**(7)**	(11)

8. Taxation

(a) Taxation recognised in the year

Current and deferred income tax is credited to the income statement as follows:

	2021 £m	2020 £m
Current income tax:		
Corporation tax credit for year	**(1)**	(7)
Deferred income tax:		
Deferred tax income relating to the utilisation of losses brought forward	**-**	(1)
Taxation (credit)	**(1)**	(8)

The current income tax credit recognised in the income statement is £1 million (2020: £7 million). The 2020 taxation credit mostly relates to the surrender of tax losses to the joint venture.

The deferred income tax result recognised in the income statement is £nil (2020: £1 million credit). The 2020 deferred income tax credit arose as a consequence of the acquisition of intangible assets as part of a business combination and corresponded to the deferred tax liability recognised in the business combination.

In the current year no deferred income tax has been recognised in other comprehensive income.

No current or deferred income tax was recognised directly in equity in the current or prior year.

(b) Factors affecting current tax credit on profit

As in 2020, the tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £m	2020 £m
Loss before taxation from continuing operations	**(656)**	(327)
Profit before taxation from discontinued operations	**58**	14
Total loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**(114)**	(59)
Effect of unutilised losses carried forward	**113**	55
Increase in tax charge as a result of change in unrecognised deferred tax assets	**11**	7
Surrender of tax losses to joint venture	**-**	(6)
Tax effect of share of results of joint venture	**-**	(5)
Expenses not deductible for tax purposes	**1**	-
Income not taxable	**(10)**	-
Fixed asset differences	**(2)**	-
Taxation (credit)	**(1)**	(8)

(c) Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Acquired intangible assets	-	(1)	-	(1)
Tax losses	-	1	-	-
Deferred tax (liability) /assets	-	-	-	-
Deferred tax income / (expense)	-	-	-	(1)

In the current year no deferred tax has been recognised (2020: £1 million liability). The 2020 deferred tax liability was recognised on the acquisition of intangible assets as part of a business combination, with a corresponding deferred tax asset of £1 million recognised for the value losses up to the same liability.

The Group has significant tax losses which are available indefinitely for offsetting against future taxable profits. As at the balance sheet date no deferred tax asset has been recognised in relation to these tax losses (2020: £nil).

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Group's future current tax charge accordingly. The deferred tax asset as at 28 March 2021 has been calculated at 19% (2020: 17%).

The UK Budget on 3 March 2021 included an announcement that the corporation tax rate will increase to 25% from 1 April 2023 for certain companies and was substantively enacted on 24 May 2021. This will increase the Group's future tax charge accordingly. Under IAS 12, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date, hence 19% has continued to be used.

(d) Factors that may affect future tax charges

The Group has unrecognised deferred tax assets of £360 million (2020: £253 million), comprising £350 million (2020: £218 million) relating to tax losses that are available to offset against future taxable profits, £10 million (2020: £33 million) relating to fixed asset timings, £nil (2020: £1 million) relating to temporary differences on provisions, and £nil (2020: £1 million) relating to temporary differences on pension relief.

The Group has rolled over capital gains of £2 million (2020: £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.

The Finance (No.2) Act 2017 was substantively enacted on 16 November 2017. This includes a restriction on the utilisation of brought forward tax losses and corporate interest in certain circumstances effective from 1 April 2017.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the main corporation tax rate to 25% had not been substantively enacted, substantive enactment occurred on 24 May 2021, therefore its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would not result in a material change to the tax charge.

9. Intangible assets

	Software	Goodwill	Other intangibles	Total
	£m	£m	£m	£m
Cost				
At 1 April 2019	502	53	13	568
Additions	64	-	-	64
At 30 March 2020	566	53	13	632
Reclassification	(3)	-	-	(3)
Additions	35	-	-	35
Disposals	(12)	(1)	(6)	(19)
Adjustments	(13)	-	-	(13)
At 28 March 2021	**573**	**52**	**7**	**632**
Accumulated amortisation				
At 1 April 2019	274	-	3	277
Amortisation	80	-	1	81
Impairment	10	17	-	27
At 30 March 2020	364	17	4	385
Amortisation	70	-	3	73
Impairment	-	8	-	8
Disposals	(11)	-	(6)	(17)
Adjustments	(8)	-	-	(8)
At 28 March 2021	**415**	**25**	**1**	**441**
Net book value				
At 28 March 2021	**158**	**27**	**6**	**191**
At 29 March 2020	202	36	9	247

Included within software in the above table are assets under construction of £33 million (2020: software of £63 million).

Other intangibles include customer relationships, 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.

In the current year, the useful lives of some software intangible assets have been extended whilst others have been reduced to better reflect expected usage. This change in accounting estimate is within the range of asset lives stated on pages 84 and 85 and has resulted in a net reduction in amortisation of £15 million.

During the year, the Group revised its accounting policy in relation to configuration, customisation and access costs incurred in SaaS arrangements, following the IFRS IC agenda decision in March 2021. The prior year impact of this change in accounting treatment has been assessed and was found to be immaterial, as such this change has been accounted for prospectively, resulting in an additional charge of £5 million in the current year income statement in respect of brought forward intangible assets. The impact on intangible assets is shown within adjustments in the above table.

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. Management determined that no impairment was necessary for the current year in relation to software (2020: £10 million) or other intangible assets (2020: £nil). Management determined that an impairment totalling £8 million (2020: £17 million) was required during the year in relation to goodwill. In the year, following the impact of the COVID-19 pandemic on trading, it was deemed prudent to impair the carrying value of the goodwill held in Payzone Bill Payments Limited. The Group still recognises the value that Payzone brings, through joint contracts, increased footfall and technology sharing amongst other items. Refer to note 10 for details of impairment reviews performed during the year over cash generating units.

Amortisation rates are disclosed on pages 84 and 85 within the accounting policies note.

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 1 April 2019	39	39	21	25	1	849	974
Additions	1	6	1	1	-	15	24
Right-of-use on transition	-	23	37	2	1	-	63
Right-of-use additions	-	-	1	1	-	-	2
Disposals	(7)	(4)	(2)	(1)	-	(21)	(35)
Right-of-use disposals	-	(4)	(2)	-	-	-	(6)
At 30 March 2020	33	60	56	28	2	843	1,022
Reclassification	-	-	1	-	-	2	3
Additions	1	-	1	1	-	6	9
Right-of-use additions	-	2	7	-	-	-	9
Disposals	(3)	(6)	(3)	(1)	-	(23)	(36)
Right-of-use disposals	-	(9)	(5)	-	-	-	(14)
At 28 March 2021	**31**	**47**	**57**	**28**	**2**	**828**	**993**
Accumulated depreciation							
At 1 April 2019	28	17	19	24	1	709	798
Depreciation	1	2	-	-	1	36	40
Right-of-use asset depreciation	-	-	8	1	-	-	9
Disposals	(5)	(2)	(2)	(1)	-	(14)	(24)
At 30 March 2020	24	17	25	24	2	731	823
Reclassification	-	-	-	-	-	1	1
Depreciation	1	2	-	-	-	38	41
Right-of-use asset depreciation	-	-	9	1	-	-	10
Right-of-use impairment reversal	-	(2)	(1)	-	-	-	(3)
Disposals	(3)	(4)	(3)	(1)	-	(16)	(27)
Right-of-use disposals	-	(1)	-	-	-	-	(1)
At 28 March 2021	**22**	**12**	**30**	**24**	**2**	**754**	**844**
Net book value							
At 28 March 2021	**9**	**35**	**27**	**4**	**-**	**74**	**149**
At 29 March 2020	9	43	31	4	-	112	199

Included within fixtures and equipment in the above table are assets under construction of £4 million (2020: £14 million).

The closing net book value of right-of-use assets by asset class is presented within note 20.

Depreciation rates are disclosed on page 83 within the accounting policies note. No depreciation is provided on freehold land, which represents £1 million (2020: £2 million) of the total cost of freehold land and buildings as included in the table above.

During the current year, reviews 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.

An impairment test was performed during the year. Intangible assets and property, plant and equipment were tested for impairment by comparing the carrying amount of each Cash Generating Unit ("CGU") with the recoverable amount determined from value in use calculations.

Post Office has determined that it has two CGUs: Post Office Limited and Post Office Management Services Limited. Post Office Management Services Limited is a standalone entity with an identifiable asset base and therefore is deemed to be one CGU. 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.

The discounted net cash flows from the value in use calculations were used to determine the recoverable amount of the CGU's identified, being Post Office Limited and Post Office Management Services Limited. Value in use is determined using the Group's net cash inflows from the continued use of the assets within each CGU over a four-year period and then continued into perpetuity, with no nominal growth rate assumed outside of this period. Pre-tax discount rates for Post Office Limited of 9.3% (2020: 9.3%) and for Post Office Management Services Limited of 10% (2020: 10%) have been used to discount the forecasted cash flows.

A sensitivity analysis has been performed in assessing the value in use of property, plant and equipment and intangible assets. This was based on changes in key assumptions considered to be reasonably possible by management. This included an increase in the discount rate of up to 12% and a reduction in forecasted cashflows to that of a plausible downside scenario factoring in key cashflow variables. The sensitivity analysis showed that no impairment would arise under each of these reasonably possible scenarios assessed.

Management therefore believes that any reasonable possible change in the key assumptions would not cause the carrying amount of any CGUs to exceed their recoverable value.

11. Investments in joint venture

The following entity has been included in the consolidated financial statements using the equity method:

Joint venture

During the current and prior year, the Group's only joint venture investment was a 50% interest (1000 £1 ordinary A shares) in First Rate Exchange Services Holdings Limited, whose principal activity is the provision of foreign currency exchange services. 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, Middlesex, TW8 9DF.

The principal activity of FRESH is the supply of foreign currency in the UK, 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 48 to 50.

The financial year-end date of FRESH is 31 March. For the purposes of applying the equity method of accounting, the financial statements of FRESH for the year ended 31 March 2021 have been used; this is considered appropriate given the proximity of this year-end date to the Group's own year-end date of 28 March 2021.

	2021 Joint venture £m	2020 Joint venture £m
Share of net assets		
Total net investment at 29 March 2020, 31 March 2019	**67**	66
Share of post-tax pre dividend (loss) / profit	**(7)**	28
Dividend	**(14)**	(27)
Total net investment at 28 March 2021, 29 March 2020	**46**	67

Share of assets and liabilities:	**2021 Joint venture £m**	2020 Joint venture £m
Receivables	**158**	129
Cash and cash equivalents	**8**	35
Non-current assets	**8**	8
Share of gross assets	**174**	172
Current liabilities	**(128)**	(105)
Share of net assets	**46**	67
Share of revenue and profit:		
Revenue	**17**	78
(Loss)/Profit after tax	**(7)**	28

12. Trade and other receivables

	2021 £m	2020 £m
Current:		
Trade receivables	**52**	88
Accrued income	**67**	64
Prepayments	**18**	32
Client receivables	**112**	78
Other receivables	**19**	21
Total	**268**	283
Non-current:		
Accrued income	**4**	3
Other assets	**5**	4
Other receivables	**65**	-
Total	**74**	7

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).

£nil (2020: £2 million) has been recognised within current prepayments for costs incurred to fulfil contracts. Non-current other receivables constitute costs incurred to fulfil contracts, in both the current and prior year.

The Group has recognised £64 million (2020: £nil) in non-current other receivables for Government support in relation to HSS settlement costs.

The Group applies IFRS 9 when measuring expected credit losses. 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:

28 March 2021	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%	91%	
Gross carrying amount - £m	46	3	1	23	73
Loss allowance - £m	**-**	**-**	**-**	**21**	**21**

29 March 2020	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%	51%	
Gross carrying amount - £m	58	10	1	39	108
Loss allowance - £m	-	-	-	20	20

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.

The closing loss allowance for trade receivables as at 28 March 2021 reconciles to the opening loss allowance as follows:

	2021 £m	2020 £m
Opening loss allowance	**20**	19
Increase in loss allowance	**6**	6
Receivables written off as uncollectible	**(2)**	(4)
Unused amounts reversed	**(3)**	(1)
Closing loss allowance	**21**	20

The fair value of trade and other receivables is not materially different from the carrying value.

13. Cash and cash equivalents

	2021 £m	2020 £m
Cash in the Post Office Limited network	**354**	449
Short-term bank deposits	**6**	9
Fiduciary cash balances held on behalf of third parties	**5**	4
Total cash and cash equivalents	**365**	462

Cash in the Post Office Limited network represents the notes and coins in circulation in branches and cash centres. Refer to note 23 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 are held on trust on behalf of third parties and cannot be called upon should either company become insolvent.

14. Trade and other payables

	2021 £m	2020 £m
Current:		
Trade payables	**76**	68
Accruals	**103**	106
Deferred income	**9**	16
Social security	**8**	6
Client payables	**288**	199
Lease liabilities	**12**	12
Capital accruals	**9**	1
Total	**505**	408
Non-current:		
Lease liabilities	**39**	56
Other payables	**4**	14
Total	**43**	70

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 loan and borrowings

	2021 £m	2020 £m
Department for Business, Energy and Industrial Strategy	**426**	617

The loan under the facility is short dated on a programme of liquidity management and matures one day after the year-end (2020: 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 28 March 2021 the Group had unused Working Capital Facility of £524 million (2020: £333 million). The Working Capital Facility was due to expire in 2022 but was extended before the balance sheet date to 2024. In addition, the Group has a further £50 million facility available from BEIS to provide same-day liquidity. This facility was undrawn at the year-end. The average interest rate on the drawn down loans is 0.55% (2020: 1.1%).

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.

16. Provisions

	Network Programmes £m	Property £m	Severance £m	HSS £m	OHC £m	Postmaster Remediation £m	Other £m	Total £m
At 30 March 2020	27	30	10	153	-	-	9	229
Charged to investments	**-**	**5**	**18**	**-**	**-**	**-**	**-**	**23**
Charged to trading	**-**	**-**	**-**	**-**	**502**	**59**	**10**	**571**
Utilisation	**(4)**	**(4)**	**(15)**	**-**	**-**	**-**	**(6)**	**(29)**
Provisions released in the year – investments	**(2)**	**(8)**	**(3)**	**-**	**-**	**-**	**-**	**(13)**
Provisions released in the year – trading	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**(3)**
At 28 March 2021	**21**	**23**	**10**	**150**	**502**	**59**	**13**	**778**

	Network Programmes £m	Property £m	Severance £m	HSS £m	OHC £m	Postmaster Remediation £m	Other £m	Total £m
At 28 March 2021								
Current	**9**	**12**	**10**	**6**	**7**	**-**	**10**	**54**
Non–current	**12**	**11**	**-**	**144**	**495**	**59**	**3**	**724**
	21	**23**	**10**	**150**	**502**	**59**	**13**	**778**
At 29 March 2020								
Current	6	7	10	-	-	-	8	31
Non–current	21	23	-	153	-	-	1	198
	27	30	10	153	-	-	9	229

The Network Programmes provision relates to payments due to Postmasters in relation to the major transformation programme. Provisions are recognised when either Postmasters agree to terminate their existing contracts, sign the new format contracts or when there is a legal or constructive obligation under Network Transformation and Post Office expect a payment to be made.

Property provisions relate to vacant and onerous contracts and dilapidations. Vacant 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. The onerous contracts provision is also recognised on occupied leasehold properties when the unavoidable costs of meeting the contract exceed the benefits. However, in accordance with IFRS 16, this only includes business rates and dilapidations costs.

Severance provisions are recognised for business reorganisation where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been undertaken at the balance sheet date.

Historical Matters related provisions of £711 million includes; £150 million (2020: £153 million) related to the Historical Shortfall Scheme provision which is management's best estimate of future payments to be made to the scheme's claimants, £502 million (2020: £nil) related to the Overturned Historical Convictions provision which is management's best estimate of potential future payments to be made to claimants who may have / have had convictions overturned and £59 million (2020: £nil) related to the Postmaster Remediation 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. These provisions are subject to significant management estimation, see the critical accounting estimates section in note 1 for further details.

Other provisions of £15 million includes; £11 million for other network related provisions and £4 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 28 March 2021 and 29 March 2020 is shown below:

	2021			2020 (restated)**		
	Current £m	**Non - current £m**	**Total £m**	Current £m	Non - current £m	Total £m
Financial assets						
Trade and other receivables*	**183**	**65**	**248**	185	3	188
Cash and cash equivalents	**365**	**-**	**365**	462	-	462
Financial liabilities						
Trade and other payables*	**(488)**	**(43)**	**(531)**	(330)	(56)	(386)
BEIS loan	**(426)**	**-**	**(426)**	(617)	-	(617)
Net financial (liabilities)/assets	**(366)**	**22**	**(344)**	(300)	(53)	(353)

* Excluding non-financial assets and liabilities.

** Two restatements were noted when preparing the 2020/21 Annual Report & Accounts in relation to financial assets and liabilities. In the prior year, trade and other receivables included accrued income, which is not a financial asset. Additionally, the split of lease liabilities in trade and other payables has been updated. This has resulted in a decrease in financial assets and a revised split of financial liabilities in the prior year. The affected line items in the table above have been restated to reflect these updates.

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 are 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. In the year, the Group benefited from an interest rate swap, put in place to protect the interest income received from the POCa cash balance. It should be noted the swap expired in September 2020, resulting in a loss of £2 million (2020: £1 million) on the cash flow hedge recognised in the statement of comprehensive income. The Group is currently benefiting from a lower rate on borrowing, but continues to review its options for future interest rate risk management.

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 Euro. 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. The underlying holdings in 2020/21 have been significantly lower than previous years due to the COVID-19 pandemic.

	Strengthening / (weakening) %	Effect on profit £m	Effect on equity £m	Strengthening / (weakening) in euro rate %	Effect on profit before tax £m	Effect on equity £m
	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)
2021	**10**	**1**	**1**	**10**	**1**	**1**
	(10)	**(1)**	**(1)**	**(10)**	**(1)**	**(1)**
2020	10	2	2	10	3	3
	(10)	(2)	(2)	(10)	(3)	(3)

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 2% (2020: 2%) 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 Group Executive regularly monitor the level of debt in the Group, the working capital requirements and the forecast cash flows. The Board and Group Executive 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 cash reserves to meet operating requirements for at least the next 12 months. See going concern disclosures in note 1 for more detail.

At 28 March 2021 the Group has unused facility of £524 million (2020: £333 million). The working capital facility was due to expire in 2022 but was extended before the balance sheet date to 2024.

In addition to the security interest provided to BEIS 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 £32 million (2020: £32 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 28 March 2021	**Less than 1 year £m**	**Between 1-5 years £m**	**Over 5 years £m**	**Total £m**
Financial assets				
Trade and other receivables*	**183**	**65**	**-**	**248**
Cash and cash equivalents	**365**	**-**	**-**	**365**
Financial liabilities				
Trade and other payables*	**(488)**	**(22)**	**(241)**	**(751)**
Interest bearing loan	**(426)**	**-**	**-**	**(426)**
Net financial (liabilities) / assets	**(366)**	**43**	**(241)**	**(564)**

At 29 March 2020 (restated)**	Less than 1 year £m	Between 1-5 years £m	Over 5 years £m	Total £m
Financial Assets				
Trade and other receivables*	185	3	-	188
Cash and cash equivalents	462	-	-	462
Financial Liabilities				
Trade and other payables*	(330)	(29)	(312)	(671)
Interest bearing loan	(617)	-	-	(617)
Total financial (liabilities)	(300)	(26)	(312)	(638)

* Excluding non-financial assets and liabilities.

** A restatement was identified when preparing the 2020/21 Annual Report & Accounts in relation to financial assets and liabilities. In the prior year, trade and other receivables included accrued income, which is not a financial asset. Additionally, the split of lease liabilities in trade and other payables has been updated to show the correct split and the effect of undiscounted cash flows. In the prior year, the figures in the table reflected the discounted value of lease liabilities. The affected line items in the table above have been restated to reflect these updates.

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.

Defined Contribution

The charge in the income statement for the defined contribution scheme ("POPP") was £11 million (2020: £12 million) and the Group contributions to this scheme were £18 million (2020: £19 million) during the year.

Defined Benefit

There are two defined benefit schemes in which Post Office participates:

- the Post Office section of the Royal Mail Pension Plan ("RMPP") which is independent from the Royal Mail section of the RMPP, and
- a 7% share of the Royal Mail Senior Executives Pension Plan ("RMSEPP"). Royal Mail Group Ltd is the principal employer of RMSEPP and Post Office Limited became a participating employer with effect from 1 April 2012.

A series of changes to RMPP and RMSEPP have taken effect since July 2017.

The changes include 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.
- As noted in the prior year annual report, 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 accounts.

The disclosures in this note show the value of the assets and liabilities that have been calculated at the balance sheet date.

Both RMPP and RMSEPP are 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 2018 using the projected unit method, concluding at a £24 million surplus on a Technical Provisions basis. Valuations are carried out triennially.

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 latest full actuarial funding valuation for RMSEPP was carried out as at 31 March 2018 using the projected unit method. For 100% of RMSEPP, the valuation concluded at £49 million surplus (31 March 2015 valuation: £17 million surplus) on a Technical Provisions basis.

Even though RMSEPP had a funding surplus on a Technical Provisions basis at the date of the latest full actuarial funding valuation, under the associated Schedule of Contributions, payments of £1 million per annum has been made. Post Office's share of these payments is 7% of the total. The payments will continue to 31 March 2025.

The weighted average duration of the Post Office section of the RMPP is around 25 years, and for RMSEPP it is around 20 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 28 March 2021) is £332 million (2020: £278 million), compared to the RMPP defined benefit obligation of £343 million (2020: £286 million). The £11 million difference in these figures is due to small differences between the insured benefits and the actual benefit obligation.

A bulk annuity policy (with Scottish Widows) is also held by the Trustee of the RMSEPP. As shown in the following disclosures, the estimated value of that policy, on the IAS 19 assumptions as at 28 March 2021, is £29 million (2020: £25 million), compared to the RMSEPP defined benefit obligation of £29 million (2020: £25 million).

Therefore, as at 28 March 2021, 97% of the aggregate defined benefit obligation (i.e. £361 million out of the £372 million) is matched by bulk annuities that provide income matching the required benefit payments. As such, the majority of the investment and longevity risk associated with Post Office's obligations in respect of the defined benefit plans has been removed (noting that the bulk annuity policies are subject to protection from insurance regulations, including access to the Financial Services Compensation Scheme, in the event of insurer insolvency). Nevertheless, to the extent that 3% of the defined benefit obligation is not matched by bulk annuities, some risk remains in respect of that 3%, in particular the risk that members with uninsured benefits live for longer than expected, the risk that inflation is higher than expected, leading to higher than expected increases to the uninsured benefits, the risk that the assets in excess of the bulk annuity polices generate poor investment returns, and the risk that administration expenses are higher than anticipated. However, these risks are expected to be mitigated by the surplus assets shown in the disclosures (before allowing for the fact that the RMPP surplus is not recognised on Post Office's balance sheet due to the Memorandum of Understanding described above).

The following disclosures relate to the losses/gains and deficit/surplus in respect of Post Office's obligations to RMPP and 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. The overall income statement charge and past service adjustment in the income statement are also sensitive to the assumptions adopted. 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).

The major long-term assumptions in relation to both RMPP and RMSEPP were:

	At 28 March 2021 **% pa**	At 29 March 2020 % pa
Increases to benefits that retain a link to pensionable pay	**3.4**	2.8
Rate of pension increases – RMPP sections A/B	**2.4**	2.1
Rate of pension increases – RMPP section C	**3.4**	2.8
Rate of pensions increases – RMSEPP members transferred from Section A or B of RMPP	**2.4**	2.1
Rate of pension increases – RMSEPP all other members	**3.4**	2.8
Rate of increase for deferred pensions	**2.4**	2.1
Discount rate	**2.0**	2.2
Inflation assumption (RPI) – RMPP & RMSEPP	**3.4**	2.8
Inflation assumption (CPI) – RMPP & RMSEPP	**2.4**	2.1

The following table shows the potential impact on the value of Post Office's defined benefit obligation in respect of RMPP and RMSEPP of changes in key assumptions. As noted above, the bulk annuities held by the arrangements provide an income that matches the vast majority of the RMPP benefit payments, and a significant proportion of the RMSEPP benefit payments. Therefore the following changes in the defined benefit obligation would be largely offset by a corresponding change in the asset values.

	2021 **£m**	2020 £m
Changes in RPI and CPI inflation of +0.1% pa	**(8)**	(7)
Changes in discount rate of +0.1% pa	**8**	7
Changes in CPI assumptions of +0.1% pa	**5**	4
An additional one year life expectancy	**13**	11

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 and RMSEPP are based on the latest self-administered pension scheme (SAPS "S2" series) mortality tables as shown in the following table:

Base mortality tables	**2021**	2020
Male members	100% x S2PMA	100% x S2PMA
Male dependants	100% x S2PMA	100% x S2PMA
Female members	100% x S2PFA	100% x S2PFA
Female dependants	100% x S2DFA	100% x S2DFA
Future improvements	CMI 2020 Core Projections with a 1.5% pa long-term trend	CMI 2019 Core Projections with a 1.5% pa long-term trend

Average expected life expectancy from age 60	**2021**	2020
For a current 60 year old male RMPP member	27 years	27 years
For a current 60 year old female RMPP member	29 years	29 years
For a current 40 year old male RMPP member	29 years	29 years
For a current 40 year old female RMPP member	31 years	31 years

b) Plans' assets

The assets in the plans for the Group were:

Sectionalised RMPP	**Market value 2021 £m**	Market value 2020 £m
Equities	17	-
Private Equity	3	4
Cash and cash equivalents	22	40
Bond/index-linked funds	12	10
Other loan/debt funds	14	16
Alternative asset funds	-	1
Bulk annuity policies*	332	278
Fair value of RMPP assets	400	349
Present value of RMPP liabilities	(343)	(286)
Surplus in plan before asset ceiling adjustment	57	63
Less effect of asset ceiling	(57)	(63)
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 2021 £m**	Market value 2020 £m
Property	**-**	1
Cash and cash equivalents	1	-
Bulk annuity policy*	**29**	25
Fair value of share in plan assets for RMSEPP	**30**	26
Present value of share in plan liabilities for RMSEPP	**(29)**	(25)
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 holds a bulk annuity policy with Scottish Widows. The value ascribed to this policy has been calculated using the same assumptions as used to calculate the present value of the defined benefit obligation.

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 is disclosed on the balance sheet, representing the surplus in the RMSEPP only.

There is no element of the above present value of liabilities that arises from plans that are wholly unfunded. With the exception of the bulk annuity policy described above, private equity and other loan/debt funds, all other RMPP and RMSEPP assets 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 2021 £m**	Sectionalised RMPP 2020 £m
Assets in sectionalised RMPP at beginning of period	**349**	362
Contributions paid	**-**	-
Finance income	**6**	7
Actuarial gains/(losses)	**52**	(14)
Benefits paid to members	**(5)**	(5)
Administrative expenses	**(2)**	(1)
Assets in sectionalised RMPP at end of period	**400**	349

RMSEPP Assets	**Share of RMSEPP 2021 £m**	Share of RMSEPP 2020 £m
Share of assets in RMSEPP at beginning of period	**26**	29
Contributions paid	**-**	-
Finance income	**-**	1
Actuarial gains/(losses)	**5**	(2)
Benefits paid to members	**(1)**	(2)
Share of assets in RMSEPP at end of period	**30**	26

Changes in the present value of the defined benefit pension obligations are analysed as follows:

RMPP Liabilities	**Sectionalised RMPP 2021 £m**	Sectionalised RMPP 2020£m
Liabilities in sectionalised RMPP at beginning of period	**(286)**	(300)
Past service cost	**-**	-
Finance cost	**(6)**	(7)
Experience adjustments on liabilities	**4**	2
Financial assumption changes	**(62)**	17
Demographic assumption changes	**2**	(3)
Benefits paid	**5**	5
Liabilities in sectionalised RMPP at end of period	**(343)**	(286)

RMSEPP Liabilities	Share of RMSEPP 2021 £m	Share of RMSEPP 2020 £m
Share of liabilities in RMSEPP plans at beginning of period	(25)	(29)
Finance cost	-	(1)
Experience adjustments on liabilities	-	-
Financial assumption changes	(5)	1
Demographic assumption changes	-	1
Benefits paid	1	3
Share of liabilities in RMSEPP at end of period	(29)	(25)

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 2021 £m	Sectionalised RMPP 2020 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged to investments:		
Administration expenses incurred	2	1
Loss due to curtailments	-	-
Total charge to operating profit	2	1
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	6	7
Interest income on plan assets	(6)	(7)
Net pensions credit to financing	-	-
Net charge to the income statement	2	1
Analysis of amounts recognised in the statement of comprehensive income		
Actual return/(loss) on plan assets	57	(7)
Less: expected interest income on plan assets	(6)	(7)
Actuarial gains/(losses) on assets (all experience adjustments)	51	(14)
Actuarial gain/(losses) arising from changes in demographic assumptions	2	(3)
Actuarial (losses)/gains arising from changes in financial assumptions	(63)	17
Actuarial gains arising from experience adjustment	4	2
Actuarial (losses)/gains on liabilities	(57)	16
Effect of the asset ceiling	6	(1)
Total actuarial gains recognised in the statement of comprehensive income	-	1

d) Recognised charges (continued)

RMSEPP	**Share of RMSEPP 2021 £m**	Share of RMSEPP 2020 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	**-**	1
Interest income on plan assets	**-**	(1)
Net pensions credit to financing	**-**	-
Net charge to the income statement before deduction for tax	**-**	-
Analysis of amounts recognised in the statement of comprehensive income		
Actual return on plan assets	**(5)**	(1)
Less: expected interest income on plan assets	**-**	(1)
Actuarial losses on assets (all experience adjustments)	**(5)**	(2)
Actuarial losses arising from changes in demographic assumptions	**-**	1
Actuarial losses arising from changes in financial assumptions	**5**	1
Actuarial losses on liabilities	**5**	2
Total actuarial losses recognised in the statement of comprehensive income before tax effect	**-**	-
Tax effect	**-**	-
Total actuarial losses recognised in the statement of comprehensive income after tax effect	**-**	-

19. Equity

Share capital

	2021 £	2020 £
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	**50,003**	50,003
Total	**50,003**	50,003

Share premium

On 7 August 2007 one ordinary share of £1 was issued in return for £313 million cash paid by the Secretary of State for Business, Enterprise and Regulatory Reform (now known as BEIS). A share premium of £313 million resulted from this subscription. In April 2008 two ordinary £1 shares were issued in return for £152 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £152 million resulted from this subscription.

Other reserves

Other reserves of £2 million (2020: £2 million) relates to First Rate Exchange Services Holdings Limited, the joint venture entity, and £nil (2020: £2 million) relates to a cash flow hedge.

20. Commitments and contingent liabilities

Capital commitments contracted for but not yet provided in the financial statements amount to £2 million (2020: £6 million).

Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	2021 £m	2020 £m
Short leasehold buildings	**22**	28
Long leasehold buildings	**15**	19
Equipment	**-**	1
Vehicles	**1**	2
Total	**38**	50

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).

Lease liabilities	2021 £m	2020 £m
Current	**12**	12
Non-current	**39**	56
Total	**51**	68

Additions to right-of-use assets during the 2020/21 financial year were £9 million (2020: £2 million) and disposals were £14 million (2020: £6 million).

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	2021 £m	2020 £m
Short leasehold buildings	**9**	8
Vehicles	**1**	1
Total	**10**	9
Interest expense (included in finance cost)	**2**	2

The total cash outflow for leases in 2020/21 was £14 million (2020: £15 million).

Income from sub-leased right-of-use assets was £3 million (2020: £2 million) in the year and has been recognised as a credit to costs.

Contingent liabilities

In previous years a contingent liability was disclosed in relation to the Employment Tribunal claim issued on behalf of a number of Postmasters against Post Office on 14 June 2018, in which they sought to establish that they are "workers" of Post Office. The matter, originally listed to be heard in June 2021, has now been heard over 4 weeks at a trial which commenced on 1 February 2022. The parties have been through an extensive case management process, which involved identifying a small group of 10 “sample cases” whose cases were examined at the trial. On 14 March 2022 Post Office successfully defended the Employment Tribunal on all counts, resulting in the likelihood of a possible obligation arising from past events in relation to this matter being considered remote. As such, no contingent liability is disclosed for 2020/21.

21. Discontinued Operations

In March 2021 the Group sold its Telecoms operation and this is reported in the current year as a discontinued operation. The results of this operation are disclosed below for the period to the date of disposal (2021 column) and the year ended 29 March 2020.

	2021 £m	2020 £m
Revenue	**142**	144
Other operating costs	**(125)**	(121)
Depreciation	**(6)**	(3)
Operating profit before investment expenditure	**11**	20
Operating investment expenditure	**(6)**	(6)
Operating profit after investment expenditure	**5**	14
Taxation	**-**	-
Profit on disposal of discontinued operation	**53**	-
Profit for the year from discontinued operation	**58**	14
Net cash inflow from operating activities	**8**	18
Net cash inflow/(outflow) from investing activities	**57**	(8)
Net cash inflow/(outflow) from financing activities	**-**	-
Net increase in cash generated by discontinued operations	**65**	10

As at the date of sale, the carrying value of assets totalled £27 million, consisting of fixed assets of £8 million, trade receivables of £8 million, prepayments of £8 million and other assets of £3 million. The carrying value of liabilities as at the date of sale totalled £21 million, consisting of accruals of £8 million, deferred income of £9 million and other liabilities of £4 million. The consideration received in respect of the sale was £65 million. The profit on disposal, after deduction of costs of £6 million, was £53 million.

22. 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	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
First Rate Exchange Services Holdings Limited	**23**	36	**24**	105	**1**	3	**-**	-

The sales to and purchases from related parties are made at normal market prices. Balances outstanding at the year-end are unsecured, 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 (2020: £1,000 million) with Government (page 74). This is made up of the £950 million (2020: £950 million) working capital facility and the £50 million (2020: £50 million) same day facility.

- The Group has received funding for exceptional items from Government of £64 million (2020: 42 million), all of which was recognised through the income statement and shown in note 4.
- The Group has received the Network Subsidy Payment of £50 million (2020: £50 million) from Government (page 74).

Key management personnel comprises the Executive and Non-Executive Directors of the Post Office Limited Board at 28 March 2021. The remuneration of the key management personnel of the Post Office Group is disclosed in the Remuneration Committee Chairman's Statement on pages 37 to 40.

23. 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 the 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 of 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.
c) An annual limit imposed by the BOE dependent upon the volume of notes sorted and issued from Post Office cash centres.

During the year, 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 of up to £400 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 28 March 2021 £240 million (2020: £276 million) of NRF was held in this way and has not been recognised in the balance sheet.

Post Office also had an arrangement in Scotland with a commercial banking partner whereby surplus Scottish notes were sold to the partner overnight for repurchase the next day. This arrangement came to an end in December 2020 and therefore £nil was outstanding at the balance sheet date (2020: £11 million).

24. 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 as it shows the underlying performance of the Group. It is calculated by taking operating loss before depreciation, amortisation, impairment, exceptional items, investments, Network Subsidy Payment and profit on disposal of discontinued operations. The table below summarises the calculation of operating loss before exceptional items, trading profit including Network Subsidy Payment and trading profit.

	2021 £m	2020 £m
Operating loss in respect of continuing operations	**(649)**	(316)
Operating profit in respect of discontinued operation	**5**	14
Adjusted for:		
Exceptional items (note 4)	**626**	232
Funding for exceptional items (note 4)	**(64)**	-
Operating loss before exceptional items	**(82)**	(70)
Depreciation and amortisation (notes 9 and 10)	**124**	130
Investments (excluding interest) (notes 5 and 21)	**43**	76
Trading profit including Network Subsidy Payment (EBITDA)	**85**	136
Network Subsidy Payment	**(50)**	(50)
Trading profit (EBITDAS)	**35**	86

25. Cash flow information

The consolidated statement of cash flows starts at a non-statutory measure, being operating loss (before exceptional items and investments) The table below reconciles loss for the financial year to operating loss (before exceptional items and investments).

	2021 £m	2020 £m
Loss for the financial year	**(597)**	(305)
Profit on disposal of the Telecoms operation	**(53)**	-
Investment spend – continuing operations	**29**	85
Investment spend – discontinued operation	**6**	6
Impairment of intangible assets	**8**	27
Investment funding	**-**	(42)
Exceptional items	**626**	232
Funding for exceptional items	**(64)**	-
Finance costs	**7**	11
Taxation credit	**(1)**	(8)
Operating (loss)/profit (before exceptional items and investments)	**(39)**	6

Net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	30 March 2020 £m	**Cash flow £m**	**Other non-cash changes £m**	**28 March 2021 £m**
Cash and cash equivalents	**462**	**(97)**	**-**	**365**
Borrowings	**(617)**	**191**	**-**	**(426)**
Lease liabilities	**(68)**	**14**	**3**	**(51)**

	1 April 2019 £m	Cash flow £m	Other non-cash changes £m	29 March 2020 £m
Cash and cash equivalents	572	(110)	-	462
Borrowings	(565)	(52)	-	(617)
Lease liabilities	(83)	15	-	(68)

26. Post balance sheet events

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

2021/22 funding

In accordance with the 2021/22 funding agreement with Government, Post Office Limited received Network Subsidy Payments totalling £50 million in the period from 29 March 2021 to the date of this report. In total £50 million of Network Subsidy Payments was received during 2021/22.

On 1 April 2021 one ordinary share of £1 was issued in return for £61 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £61 million resulted from this subscription.

On 9 March 2022 one ordinary £1 share was issued in return for £64 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £64 million resulted from this subscription.

On 1 April 2021 Post Office Limited received a £52 million loan. Quarterly principal repayments of £1.75 million are scheduled from the 2023/24 financial year, with a bullet payment of £25.75 million due in March 2027. Interest of 0.65% per quarter is charged on the loan.

2022/23 to 2024/25 funding

On 21 April 2022 Post Office signed a funding agreement with Government for the period 2022/23 through to 2024/25. As part of this agreement BEIS will provide to Post Office £150 million in Network Subsidy Payments and £185 million in investment funding, to be received as a grant, over the three year period.

Overturned Historical Convictions

It was announced on 22 July 2021 that Postmasters who have had “Horizon-related” convictions overturned could apply to Post Office for an interim compensation payment of up to £100,000, providing certain basic criteria were met. To date, Post Office has received 69 applications for interim compensation and has paid interim compensation to 66 Postmasters totalling £6.6 million. Further cases will be reviewed following receipt of application forms.

In July 2021 BEIS confirmed their commitment to fund interim payments for all potential claims received. In November 2021 BEIS agreed to provide funding to Post Office to ensure that settlement payments can be made for overturned convictions. Funding levels are based on current expectations of the potential cost.

Recognition of payments made and the associated funding received by Government will be recognised in 2021/22 and beyond, in line with accounting standards.

Additional compensation for GLO claimants

In March 2022 the Government announced its intention to provide additional compensation payments to the individual claimants that formed the GLO. In 2019/20 Post Office agreed and subsequently paid a full and final settlement with the GLO claimants, thus extinguishing any liabilities which Post Office had in respect of the GLO. It is clear that Post Office will not be asked to fund this additional compensation. Government’s announcement therefore does not create a liability for Post Office. However, there remains some uncertainty around what role Post Office may play in the process for providing compensation and to what extent this will impact our future cashflows. Further details are included in the going concern note on pages 72 to 76.

Employment tribunal claim

In previous years a contingent liability was disclosed in relation to the Employment Tribunal claim issued on behalf of a number of Postmasters against Post Office on 14 June 2018 in which they sought to establish that they are "workers" of Post Office. The matter, originally listed to be heard in June 2021, has now been heard over 4 weeks at a trial which commenced on 1 February 2022. The parties have been through an extensive case management process, which involved identifying a small group of 10 “sample cases” whose cases were examined at the trial. On 14 March 2022 Post Office successfully defended the Employment Tribunal on all counts, resulting in the likelihood of a possible obligation arising from past events in relation to this matter now being considered remote. As such, no contingent liability is disclosed for 2020/21.

27. Ultimate controlling party

The Secretary of State for BEIS 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. BEIS, 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 28 March 2021, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. BEIS is the ultimate controlling party.

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 Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

Post Office Limited

Company Financial Statements 2020/21

Company balance sheet

at 28 March 2021 and 29 March 2020

	Note	2021 £m	2020 £m
Non-current assets			
Intangible assets	3	**137**	181
Property, plant and equipment	4	**146**	195
Investment in subsidiaries	5	**48**	62
Investments in joint venture	6	**46**	67
Retirement benefit surplus	12	**1**	1
Trade and other receivables	7	**69**	3
Total non-current assets		**447**	509
Current assets			
Inventories		**2**	1
Trade and other receivables	7	**274**	279
Cash and cash equivalents	8	**352**	449
Total current assets		**628**	729
Total assets		**1,075**	1,238
Current liabilities			
Trade and other payables	9	**(490)**	(392)
Financial liabilities - interest bearing loans and borrowings	10	**(426)**	(617)
Provisions	11	**(50)**	(29)
Total current liabilities		**(966)**	(1,038)
Non-current liabilities			
Other payables	9	**(42)**	(69)
Provisions	11	**(724)**	(197)
Total non-current liabilities		**(766)**	(266)
Net liabilities		**(657)**	(66)
Equity			
Share capital	13	**-**	-
Share premium	13	**465**	465
Accumulated losses		**(1,124)**	(535)
Other reserves	13	**2**	4
Total equity		**(657)**	(66)

The notes on pages 124 to 135 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 £647 million (2020: £319 million) in respect of the continuing operations and a profit after tax of £58 million (2020: £14 million) in respect of the discontinued operations. The financial statements on pages 122 to 135 were approved by the Board of Directors on 29 April 2022 and signed on its behalf by:

N Read
Chief Executive Officer

Company statement of changes in equity

for the 52 weeks ended 28 March 2021 and 52 weeks ended 29 March 2020

	Notes	Share Capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 30 March 2020		**-**	**465**	**(535)**	**4**	**(66)**
Loss for the year		**-**	**-**	**(589)**	**-**	**(589)**
Loss on cash flow hedges		**-**	**-**	**-**	**(2)**	**(2)**
At 28 March 2021		**-**	**465**	**(1,124)**	**2**	**(657)**

	Notes	Share capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	Total equity £m
At 1 April 2019		-	465	(236)	5	234
Changes in accounting standards		-	-	4	-	4
Restated at 1 April 2019		-	465	(232)	5	238
Loss for the year		-	-	(304)	-	(304)
Loss on cash flow hedges		-	-	-	(1)	(1)
Re-measurements on defined benefit surplus	12	-	-	1	-	1
At 29 March 2020		-	465	(535)	4	(66)

Notes to the financial statements

1. Accounting Policies

The accounting policies which follow, set out those which apply in preparing the Company financial statements for the 52 week period ended 28 March 2021.

Financial year

The financial year ends on the last Sunday in March and accordingly, these financial statements are made up to the 52 weeks ended 28 March 2021 (2020: 52 weeks ended 29 March 2020).

Authorisation of financial statements

The parent Company financial statements of Post Office Limited (the "Company") for the year ended 28 March 2021 were authorised for issue by the Board of Directors on 29 April 2022 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 136.

Basis of preparation

These financial statements were prepared in accordance with 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

After careful consideration of the plans for the coming years, factoring in the impact of the COVID-19 pandemic and the support of Government, we are satisfied that the Company (being 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 assessing the going concern position, the Board has considered the Company's financial forecasts for the 15 months to 31 July 2023.

In recent years, the Company has become profitable at a trading level. However, trading profit peaked in 2019/20 and has fallen by over 50% in the subsequent years. This is due to the ongoing impact of the COVID-19 pandemic, notably on the travel business, rising inflationary pressures on the costs of both the Company and Postmasters and the removal of the trading profit contribution of the Telecoms business following its sale in 2020/21.

The Government has been providing investment funding, subsidy payments and working capital facilities. Such funding was steadily declining as the business improved its profitability. It is now of increasing importance again, partly because of the reduced profitability described above and partly because the Company must fund the very considerable costs of supporting and enabling compensation and legal justice for wronged Postmasters and Sir Wyn William's Statutory Inquiry. In addition, the business needs to make ongoing investments, notably replacing the Horizon EPOS system. As set out below, compensation for Postmasters is mostly being funded directly by Government. However, some £86 million of compensation under the HSS must be funded by the Company from trading profit and the proceeds of the sale of the Telecoms business.

For 2021/22, the Company received £50 million of Network Subsidy Payments and £177 million in investment funding, made up of a £125 million equity injection and a £52 million loan. In addition, the £950 million working capital facility and £50 million same-day liquidity facility were both extended to 31 March 2024. Looking ahead to 2022/23 through to 2024/25, Government has continued to evidence its support of the Company by committing to provide £150 million in Network Subsidy Payments and £185 million in investment funding, to be received as a grant.

Compensation and settlement for Postmasters remains highly material and deeply uncertain. The continued support of Government is therefore critical in the Directors' view of the Company's going concern position.

For the specific one-off matters, Government has agreed to provide sufficient financial support to the Company to ensure that the HSS can proceed and settlement payments for OHC can be made, with agreed funding in excess of the current provisions. Funding of up to £233 million has been guaranteed for the HSS provided that the Government's operational and approval processes are followed and all initial offers are sent out by 31 March 2023. Funding of up to £780 million has been guaranteed for compensation to Postmasters who were wrongly convicted of criminal offences ("OHC"). Discussions are underway on funding other Postmaster Remediation and the Government has written a letter of comfort stating its intention to provide support, subject to future approval processes.

There is significant estimation uncertainty within the HSS and OHC provision calculations, which are explained further within note 1 to the Group accounts. Funding is currently being sought and finalised in relation to potential future payments for claims which may be received in relation to areas of possible Postmaster Remediation. The funding commitments provide evidence of continued support from Government. Further assurances related to unquantified potential cash outflows, such as any possible additional aspects of Postmaster Remediation, cannot be given as it is not the nature of Government's budget process to provide guarantees for unquantifiable potential liabilities.

In 2019/20 the Company agreed and subsequently made payment of a full and final settlement with the GLO claimants, thus extinguishing any liabilities which the Company had in respect of the GLO. In March 2022 the Government announced its intention to provide additional compensation payments to the individual claimants that formed the GLO. It is clear that the Company will not be asked to fund this additional compensation. Government's announcement does not create a liability for the Company.

However, the Government have yet to announce the process through which additional compensation will be paid to the GLO claimants. Presently, the Company has not been asked by Government to either run or partake in any such process. When considering the HSS and OHC processes, where compensation is partly funded by Government, the Company has been required to oversee and pay for the running costs of the processes. Confirmation has therefore been sought from Government to provide assurances that if the Company is requested to partake in or oversee any such process for GLO claimants then the costs associated will not be borne by the Company. This assurance has not been forthcoming.

The going concern assessment does not include cashflows associated with Government's intention to provide additional compensation to GLO claimants, either compensation payments or process running costs. The costs of any future process are not known. However, there are circumstances where the costs of supporting such a process could call into question whether the Company can remain in compliance with its borrowing covenants and therefore remains a going concern. The Directors have assessed that excluding such cashflows from its forecasts is reasonable on the basis that the Company has no present liability in respect of GLO claimants and the Government has provided general assurances about their intentions to continue to support the Company.

The Directors have received written assurances from BEIS that they place a high priority on the Company's ability to continue delivering vital public services and as such will continue to support the Company. This includes the intention to provide support if / when required in respect of HSS, Overturned Historical Convictions and Postmaster Remediation to the extent that contractual support has not already been committed or is not sufficient to cover the eventual costs.

There still remains an element of funding uncertainty, with the existence of some potential future liabilities, which may or may not have a significant adverse impact on the Company, for which guaranteed funding is not in place. However, the Directors believe the guarantees and assurances received, when considering the legislated nature of the Government funding process which creates restrictions on guarantees, provide enough assurances to evidence Government's continued support should future material liabilities arise in relation to the items highlighted within these financial statements.

Management has performed a cashflow assessment for a period of 15 months to the end of July 2023, factoring in no further funding beyond that agreed above, whilst assuming any cash outflows arising as a result of potential Postmaster Remediation will be funded by Government and that there will be no cashflows associated with the GLO claimants and the process which may ensue. This assessment supports the Directors' view that the Company can continue to meet its liabilities as they fall due for the period under review.

The assumption of continued Government support is in relation to: i) potentially material future cash outflows, which may or may not arise in respect of HSS and OHC related settlements in excess of amounts already guaranteed by Government; ii) potential payments to be made for Postmaster Remediation for which Government funding is not yet guaranteed; and iii) possible future requests by Government resulting in cash outflows for the Company to meet compensation payments or process running costs associated with the Government's intention to provide additional compensation to GLO claimants, which could occur during the going concern period such that the Company requires additional support, represent material uncertainties which may cast a significant doubt on 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.

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.
- Revenue.
- 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.

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.

Investment in subsidiaries

Investment in subsidiaries are carried at cost less accumulated impairment losses.

Critical accounting estimate:

Key assumptions used in impairment tests for investments in subsidiaries

The Group 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 Group.
- 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. The recoverable amount is determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on four-year financial forecasts approved by management, factoring in current economic circumstances and challenges such as the ongoing impact of the COVID-19 pandemic. Where applicable, cash flows beyond this period are extrapolated using estimated growth rates. Refer to note 5 for the results of the latest impairment tests.

2. Staff costs and numbers

Employment and related costs were as follows:

People costs (excluding investments):	2021 £m	2020* £m
Wages and salaries	**130**	136
Social security costs	**14**	15
Other pension costs (note 12)	**11**	11
Total people costs (excluding investments)	**155**	162

* Where applicable, comparatives have been re-presented as a result of the disposal of the Telecoms business, which represents a discontinued operation. See note 21 in the Group financial statements for further details.

Period end and average employee numbers were as follows:

	Period end employees		**Average employees**	
	2021	2020	**2021**	2020
Total employees	**3,331**	3,528	**3,430**	3,897

Total employee numbers can be categorised as follows:

	Period end employees		**Average monthly employees**	
	2021	2020	**2021**	2020
Administration	**1,172**	1,090	**1,131**	1,146
Directly managed branches ("DMB")	**1,390**	1,592	**1,491**	1,820
Supply Chain	**769**	814	**792**	833
Network programmes	**-**	32	**16**	98
Total	**3,331**	3,528	**3,430**	3,897

3. Intangible assets

	Software £m	Goodwill £m	Other Intangibles £m	Total £m
Cost				
At 1 April 2019	478	1	6	485
Additions	53	-	-	53
At 30 March 2020	531	1	6	538
Reclassification	(3)	-	-	(3)
Additions	34	-	-	34
Disposals	(12)	(1)	(6)	(19)
Adjustments	(13)	-	-	(13)
At 28 March 2021	**537**	**-**	**-**	**537**
Accumulated amortisation and impairment				
At 1 April 2019	267	-	3	270
Amortisation	77	-	-	77
Impairment	10	-	-	10
At 30 March 2020	354	-	3	357
Amortisation	64	-	3	67
Disposals	(10)	-	(6)	(16)
Adjustments	(8)	-	-	(8)
At 28 March 2021	**400**	**-**	**-**	**400**
Net book value				
At 28 March 2021	**137**	**-**	**-**	**137**
At 29 March 2020	177	1	3	181

Included within software in the above table are assets under construction of £35 million (2020: £42 million).

During the current year, reviews 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.

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. Management determined that in relation to software assets, no impairment charge (2020: £10 million) was required during 2020/21.

During the year, the Group revised its accounting policy in relation to configuration, customisation and access costs incurred in SaaS arrangements, following the IFRS IC agenda decision in March 2021. This change in accounting treatment has been accounted for prospectively, resulting in an additional charge of £5 million in the current year income statement in respect of brought forward intangible assets. The impact on intangible assets is shown within adjustments in the above table.

Amortisation rates are disclosed on pages 84 and 85 within the Group accounting policies note.

4. 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 1 April 2019	39	39	21	25	1	845	970
Additions	1	5	-	-	-	14	20
Right-of-use on transition	-	23	37	2	1	-	63
Right-of-use additions	-	-	1	1	-	-	2
Disposals	(7)	(4)	(2)	(1)	-	(18)	(32)
Right-of-use disposals	-	(4)	(2)	-	-	-	(6)
At 30 March 2020	33	59	55	27	2	841	1,017
Reclassification	-	-	1	-	-	2	3
Additions	1	-	1	1	-	6	9
Right-of-use additions	-	2	7	-	-	-	9
Disposals	(3)	(6)	(3)	(1)	-	(23)	(36)
Right-of-use disposals	-	(9)	(5)	-	-	-	(14)
At 28 March 2021	**31**	**46**	**56**	**27**	**2**	**826**	**988**
Accumulated depreciation and impairment							
At 1 April 2019	28	17	19	24	1	708	797
Depreciation	1	2	-	-	-	34	37
Right-of-use asset depreciation	-	-	8	1	-	-	9
Disposals	(5)	(2)	(2)	(1)	-	(11)	(21)
At 30 March 2020	24	17	25	24	1	731	822
Reclassification	-	-	-	-	-	-	-
Depreciation	1	2	1	-	-	37	41
Right-of-use asset depreciation	-	-	9	1	-	-	10
Right-of-use impairment reversal	-	(2)	(1)	-	-	-	(3)
Disposals	(3)	(4)	(3)	(1)	-	(16)	(27)
Right-of-use disposals	-	(1)	-	-	-	-	(1)
At 28 March 2021	**22**	**12**	**31**	**24**	**1**	**752**	**842**
Net book value							
At 28 March 2021	**9**	**34**	**25**	**3**	**1**	**74**	**146**
At 29 March 2020	9	42	30	3	1	110	195

Included within fixtures and equipment in the above table are assets under construction of £4 million (2020: £13 million).

Depreciation rates are disclosed on page 83 within the Group accounting policies note. No depreciation is provided on freehold land, which represents £1 million (2020: £2 million) of the total cost of properties.

Included within the table above are right-of-use assets with a net book value of £38 million (2020: £50 million). The split between categories 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.

An impairment test was performed during the year. Intangible assets and property, plant and equipment were tested for impairment by comparing the carrying amount of each Cash Generating Unit ("CGU") with the recoverable amount determined from the value in use calculations.

The discounted net cash flows from the value in use calculations were used to determine the recoverable amount of the CGU identified, being Post Office Limited. Value in use is determined using the Group's net cash inflows from the continued use of the assets within each CGU over a four-year period and then continued into perpetuity, with no nominal growth rate assumed outside of this period. A pre-tax discount rate for Post Office Limited of 9.3% (2020: 9.3%) has been used to discount the forecasted cash flows.

A sensitivity analysis has been performed in assessing the value in use of property, plant and equipment and intangible assets. This was based on changes in key assumptions considered to be possible by management. This included an increase in the discount rate of up to 12% and a reduction in forecasted cashflows to that of a plausible downside scenario factoring in key cashflow variables. The sensitivity analysis showed that no impairment would arise under each scenario assessed. Management therefore believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any CGU to exceed its carrying value.

5. Investment in subsidiaries

The carrying value of £48 million (2020: £62 million) is made up of two investments in subsidiaries.

The carrying value of the Company's investment in Post Office Management Services Limited is £43 million (2020: £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.

The remaining £5 million (2020: £19 million) is for the Company's investment in Payzone Bill Payments Limited, a 100% subsidiary of the Company with one share at a nominal value of £1. In the year, following the impact of the COVID-19 pandemic on trading, it was deemed prudent to impair the carrying value of the investment held in Payzone Bill Payments Limited by £14 million (2020: £nil). The Group still recognises the value that Payzone brings, through joint contracts, increased footfall and technology sharing amongst other items.

The registered address of both Post Office Management Services Limited and Payzone Bill Payments Limited is Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

6. Investments in joint ventures

	2021 £m	2020 £m
Investment in joint ventures	**46**	67

During the current and prior year, the Company's only joint venture investment was a 50% interest (1,000 £1 ordinary A shares) in First Rate Exchange Services Holdings Limited with a carrying value of £46 million (2020: £67 million), whose principal activity is the provision of foreign currency exchange. First Rate Exchange Services Holdings Limited is a company registered in the United Kingdom. The registered address of First Rate Exchange Services Holdings Limited is Great West House, Great West Road, Brentford, Middlesex, TW8 9DF.

7. Trade and other receivables

	2021 £m	2020 £m
Current:		
Trade receivables	46	82
Amounts owed by group undertakings	21	12
Accrued income	63	61
Prepayments	16	31
Client receivables	112	77
Other receivables	16	16
Total	274	279
Non-current:		
Accrued income	4	3
Other receivables	65	-
Total	69	3

8. Cash and cash equivalents

	2021 £m	2020 £m
Cash in the Post Office Limited network	350	449
Short-term bank deposits	2	-
Total	352	449

9. Trade and other payables

	2021 £m	2020 £m
Current:		
Trade payables	**68**	59
Amounts owed to group undertakings	**-**	-
Accruals	**97**	98
Deferred income	**8**	19
Social security	**8**	6
Client payables	**288**	198
Lease liabilities	**12**	12
Capital payables	**9**	-
Total	**490**	392
Non-current:		
Lease liabilities	**39**	56
Other payables	**3**	13
Total	**42**	69

10. Financial liabilities – interest bearing loans and borrowings

	2021 £m	2020 £m
Department for Business, Energy and Industrial Strategy	**426**	617

Details of the financial liabilities are included in note 15 in the Group financial statements.

11. Provisions

	Network Programmes £m	Property £m	Severance £m	HSS £m	OHC £m	Postmaster Remediation £m	Other £m	Total £m
At 30 March 2020	27	30	10	153	-	-	6	226
Charged to investments	-	5	18	-	-	-	-	23
Charged to trading	-	-	-	-	502	59	6	567
Utilisation	(4)	(4)	(15)	-	-	-	(3)	(26)
Provisions released in the year – investments	(2)	(8)	(3)	-	-	-	-	(13)
Provisions released in the year – trading	-	-	-	(3)	-	-	-	(3)
At 28 March 2021	**21**	**23**	**10**	**150**	**502**	**59**	**9**	**774**

	Network Programmes £m	Property £m	Severance £m	HSS £m	OHC £m	Postmaster Remediation £m	Other £m	Total £m
Disclosed as:								
At 28 March 2021								
Current	**9**	**12**	**10**	**6**	**7**	**-**	**6**	**50**
Non-current	**12**	**11**	**-**	**144**	**495**	**59**	**3**	**724**
	21	**23**	**10**	**150**	**502**	**59**	**9**	**774**
At 29 March 2020								
Current	6	7	10	-	-	-	6	29
Non-current	21	23	-	153	-	-	-	197
	27	30	10	153	-	-	6	226

Details of the provisions are included in note 16 in the Group financial statements.

12. Retirement benefit surplus

The Company pension's disclosure is consistent with the Group disclosure included in note 18 of the Group financial statements.

13. Equity

Called up share capital

	2021 £	2020 £
Authorised		
Ordinary shares of £1 each	**51,000**	51,000
Total	**51,000**	51,000
Allotted and issued		
Ordinary shares of £1 each	**50,003**	50,003
Total	**50,003**	50,003

Share premium

On 7 August 2007 one ordinary share of £1 was issued in return for £313 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £313 million resulted from this subscription. In April 2008 two ordinary £1 shares were issued in return for £152 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £152 million resulted from this subscription.

Other reserves

Other reserves of £2 million (2020: £2 million) relate to First Rate Exchange Services Holdings Limited, the joint venture entity, and £nil (2020: £2 million) relates to a cash flow hedge.

14. Commitments and contingent liabilities

Details of the Company commitments and Company contingent liabilities are disclosed in note 20 of the Group financial statements.

15. Related party disclosures

Related parties for Post Office Limited are as per the Group; details of which are disclosed in note 22 of the Group financial statements. The Directors have taken advantage of the exemption permitted by FRS 101 not to disclosure transactions with wholly owned subsidiaries within the Group.

16. Discontinued operation

Details of the discontinued operation are included in note 21 of the Group financial statements.

17. Post balance sheet events

Details of post balance sheet events are included in note 26 of the Group financial statements.

18. Ultimate controlling party

The Secretary of State for BEIS 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. BEIS, 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 28 March 2021, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. BEIS is the ultimate controlling party.

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 Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

Corporate information

Registered Office

Post Office Limited

Finsbury Dials

20 Finsbury Street

London

EC2Y 9AQ

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