

RESTRICTED - COMMERCIAL

To: Martin Donnelly
From: Richard Callard (GRO)
Date: 15 December 2015



Subject: Postal Services Holding Company Limited (PoSH) – late filing of annual accounts

Purpose: To make you aware that PoSH (the 100% BIS owned company that owns POL and remaining RM shares) will not be able to file its 2014/15 annual accounts within deadline and will be filing late.

Timing: Routine

Recommendation:

- That you **note** for information
 1. The filing deadline for PoSH is the end of December this year.
 2. The Directors will not be able to sign and agree the accounts in time to meet this deadline, as this is subject to successful resolution of work in connection with the provisioning error identified in Post Office Limited's (POL) 2014/15 accounts - on which you have already been briefed.
 3. Directors and POL currently expect to be in a position to agree and file the PoSH accounts mid-to-late January 2016.

Background:

What is PoSH?

1. PoSH is a private limited company classified to central government (100% owned by BIS SoS) and is the company which disposed of the Government's shares in Royal Mail, holds the remaining 10m shares in RM (until these are gifted to employees), and it also holds Government's 100% ownership of POL.
2. It is a non-trading holding company with a Board of three directors (BIS civil servants – Mark Russell (ShEx), Roger Lowe (ShEx), Ruth Elliot (HE)). The Directors are not remunerated for their position with the company.
3. The accounts of PoSH comprise group and company accounts. The group accounts consolidate POL and the company accounts are individual accounts for the holding company only.

Why can't the accounts be finalised on time?

4. You are aware from my earlier submission of 4 December that POL has identified an error in its balance sheet provision and exceptional charges in 2014/15 in connection with provision made for compensation payments to postmasters under

RESTRICTED - COMMERCIAL

its Network Transformation Programme. POL's 2014/15 accounts will need to be restated.

5. POL is consolidated for PoSH's group accounts and the Directors of PoSH therefore rely on necessary comfort provided by POL in connection with its numbers in order for them to be in a position to sign and approve the PoSH accounts.
6. POL has not yet concluded its work in connection with the provision error (a complex issue which is taking time to fully test and work through) and POL's CFO (Alisdair Cameron) has confirmed to the Directors that he will not be in a position where he can give the Directors the necessary comfort they would require until into the New Year.
7. The Directors have therefore concluded and agreed that they cannot sign and approve the PoSH accounts until that position has been reached.

What are the next steps?

8. PoSH Directors have met with POL's CFO to discuss the provision issue and timescales surrounding resolution. This has included requests for additional information to be provided in connection with the work being undertaken on this issue and POL's control environment, as well as its strategy in connection with auditors and its internal audit function.
9. Further meetings are planned early next year where POL and the auditors (E&Y) will provide the Directors with necessary comfort they require in order to approve and sign the accounts; current expectation is that this should be possible from mid-to-late January 2016. We will be informing Companies House (CH) of late filing.

What is the impact of filing late?

10. A small late filing penalty (c.£150-£375) will be incurred and late filing will remain on the company's record with CH for a year, but there is no additional action CH will take around this.
11. We are not expecting this to be picked up more widely as the PoSH accounts are not published and there are no announcements made around their finalisation.

Copied: Ministers' Offices; SPADs; Howard Orme; Mark Russell; Roger Lowe; Ruth Elliot; ShEx POL Team; BIS Finance; BIS Analysts, BIS Legal, BIS Comms

Advice Received From:

Finance	SpAds	Press	Legal	Analysts
Tobi Adetimilehin	N/A	N/A	N/A	N/A
Devolution Issues	N/A	Equality Analysis	N/A	