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Post Office Limited Annual Report & Consolidated Financial Statements

2022/23

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

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UKGI00044323

Contents

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

UKGI00044323

Strategic Report

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

Chair's Foreword

I am pleased to introduce this first set of accounts for the Post Office (the Group of Companies headed by Post Office Limited) since I joined as Chair in December 2022.

This has, self-evidently, been a very difficult year for business as a whole and for retailers in particular. Rising costs, an inflationary economy, and a prolonged cost-of-living crisis has seen to that. As a business we are also, of course, reliant on continued support from Government, not least in meeting our liabilities for legacy failures, as outlined in the going concern disclosures. The Group has posted a total statutory loss of £76 million for the year (2022: £130 million) and ended the year with net liabilities of £799 million (2022: £724 million). Despite this, at a trading level our business has performed well, both in branch and online, achieving a Trading Profit of £50 million (2022: £42 million). This performance has been delivered by brilliant Postmasters across the country, helping people convert Government assistance with rising energy costs into the money they have needed to pay their bills; ensuring that cash deposits and withdrawals are still available even as bank branch closures accelerate, including through the operation of the new Banking Hubs; and, of course, introducing customers to new mails and parcel carrier services as we gradually open up the network to meet their evolving needs. Where the opportunity to increase Postmaster remuneration has presented itself, we have taken it. Thanks to the strength of our online businesses, we were able to bolster Postmaster remuneration with a one-off payment ahead of a difficult winter. Six months further on, we were then able to increase remuneration on key banking products too. There is still much more to do. I know that Nick Read, CEO, and the whole of the business is determined to find further opportunities to improve branch profitability over the next 12 months and beyond.

We have also made considerable progress in our strategic objective of rebuilding trust, through the offers and settlements made as part of our Remediation Matters activities, being the Historical Shortfall Scheme ("HSS"), Overturned Convictions ("OC") and Postmaster Remediation processes. At the time of writing, all of the original applicants to the HSS (excluding those who have submitted late applications) have received an offer, with 84% already in receipt of a payment. For those whose convictions have been quashed on appeal to the criminal courts, progress has been slower, although rapid interim payments have been made in all eligible cases and, following some detailed work, standardised principles governing future calculations should enable us to build more quickly on the small number of full and final settlements we have been able to agree to date. We continue to provide Sir Wyn Williams' Post Office Horizon IT Inquiry ("POHIT Inquiry") with every assistance we can and, while challenges will arise given the sheer scale and complexity of the exercise, our commitment here is, and will remain, absolute.

Regrettably, the year will also be remembered for the failings of governance included in last year's remuneration report which included an inaccurate description for one element of a senior bonus scheme. This failing, together with some deeply unsatisfactory lapses in processes, resulted in an independent review commissioned by Government, as well as a review by our incoming Chair of our Remuneration Committee ("Remco") who took the task on prior even to completing her induction into the business. Appropriate repayments were made by those in receipt of the award. I repeat here the apology I gave on behalf of the business to Ministers and to the Select Committee for Business and Trade. The fact that the reviews concluded that our Remco could have decided that the Inquiry Support metric had been achieved and that there was therefore a justifiable basis on which to make the award is, to a large extent, academic. Our stakeholders rightly expect better of us and I am determined that we will implement the various recommendations made to us, as well as those made by Remco's new Chair, without delay or equivocation. That work is well underway.

Over the next few months, the POHIT Inquiry will continue to take evidence across a range of some of the most contentious episodes in the Horizon IT Scandal. The evidence sessions are disturbing for all of those colleagues

UKGI00044323

working hard to reshape and reinvent the business for the present and future. That acute discomfort is a necessary part of ensuring our future state is reflective of the modern franchise business we strive to be, in the service of customers and in a true partnership with Postmasters.

But there are also reasons to be optimistic. We are identifying new opportunities, notably in mails, banking and digital identity and, provided we are as committed to our future as we are to resolving our past, I firmly believe that the business can aim towards a brighter future.

Underpinning that belief is the overwhelming sense of Postmasters' commitment to, and pivotal place in, communities across the UK which becomes apparent as soon as you walk through the door. Over the last year, this was reflected in their local leadership in marking some of the most significant events in our nation's recent history: the celebration of Her Majesty Queen Elizabeth's Platinum Jubilee followed all too soon by her death just six months later, and the coronation of His Majesty King Charles. Just as they did when staying open for business during the lockdowns we endured during the pandemic, post offices once again became the focal point for the expression of community sentiment. That is a very special quality and I am proud to be working for a business which plays such an important part in our national life. I am enormously grateful to the thousands of Postmasters, as well as employees working for our Strategic Partners, whose daily work in post offices across the country is the source of that quality.

I end by thanking my Board colleagues for their welcome and support, my predecessor and the other Board members who have stepped down over the past year, as well as our Ministers and their officials for their continued assistance in placing the business back on the right path. I particularly extend a warm welcome to Amanda Burton, Andrew Darfoor, Simon Jeffreys and Lorna Gratton, all of whom have already made an important contribution to our work. I know that our Group Executive, led by Nick Read, as well as our colleagues across the business are determined to focus on the task of modernising and evolving the organisation for the next generation. As a Board, we will provide them with all the guidance and the support they need to succeed.

GRO

Henry Staunton
Chair

11 December 2023

UKGI00044323

Chief Executive Statement

Given the events of the recent past, including the global pandemic, it seems almost extraordinary that once more the business has had to face into some of the most challenging conditions for retail in a generation. Soaring inflation, rising energy bills, and a cost-of-living crisis represent something of a perfect storm for the industry and its effects have been pronounced. As our new Chair notes, however, we have shown remarkable resilience across the year, recording a Trading Profit of £50 million for the financial year 2022/23. That performance must be seen in the context of the company's wider financial position, which is considerably less robust with net liabilities of £799 million at year end (2022: £724 million), including the recognition of a £255 million impairment of the asset base representing the difficult financial outlook; it is nonetheless worth celebrating.

Our principal revenue pillars, with the exception of the mails business, performed well, with total revenue up by 6% year-on-year. Chief contributors to this result were banking services and ATMs, up 14% year-on-year; platform products including mortgages, savings, loans and credit cards, up 119% year-on-year, benefiting from interest rate decisions; transactional financial services driven by travel money and insurance services, up 15% and 33% year-on-year respectively, benefiting from customer demand for foreign travel; and bill payments up 54% year-on-year, reflecting the additional revenue and footfall generated by the frontline delivery of Government's energy bill support schemes. By contrast, our mails business was disrupted by 18 days of strikes, a cyber-attack at Royal Mail and was already facing fierce competition. It was down by 13% year-on-year as a result.

The mails market is clearly undergoing some profound change and we have begun to take increasingly confident steps in opening up our network to new carriers in response to changes in consumer behaviour and online shopping. DHL, Amazon, DPD, and Evri are already making the most of our network to provide over 30,000 new customer propositions, including 'Customer Collection', 'Customer Drop Off' and 'Customer Return' services. In a signal of things to come, November 2022 saw Evri become only the second carrier to provide a complete end-to-end service from some of our branches in our 370 year history. By Christmas 2023, we will be selling Evri and DPD products across the counters in thousands of post offices. This heralds the beginning of a genuine step-change in our mails proposition.

At the time of writing, we have taken the next step in that journey, launching our Parcels Online service in September 2023 with Evri and DPD. With more carriers in the pipeline, progress to offer greater customer choice will accelerate from here. We will, in relatively short order, be offering a truly multi-carrier and multi-channel experience for our customers and Postmasters, with sales taking place in branch and online, and complemented by our unrivalled Pick Up and Drop Off ("PUDO") services. We are proud that Royal Mail Group remains our key mails partner. However, recent challenges there, and the correspondingly steep rises in the price of first-class services, demonstrate the short and longer-term value of the decision we took to move away from an effectively exclusive arrangement with them in 2021/22, with the conclusion of our second Mails Distribution Agreement.

Our experience in mails diversification points to the clear benefits of collaboration between relevant industry players, with each party playing to its strengths in combining to create shared value for customers, Postmasters and shareholders alike. The same is true of Banking Hubs which we have pioneered, in collaboration with our banking partners, to ensure that no community and no small business is left behind as banks continue to drive efficiencies by pulling out of high streets and town centres across the country. However, while Q3 of 2023/24 will see a more significant number of Banking Hubs opening, there is no question that more must be done to accelerate opportunities. 31 Banking Hubs is no substitute for over 600 branch closures in 2023.

If we are, as a country, to get anywhere near offsetting the negative impact of bank branch closures, we believe that there is likely to be a need for several hundred, perhaps even 1,000, Banking Hubs to open over the next five years. Regrettably, the current framework for delivering Banking Hubs, which is largely driven by the banks themselves, is simply not incentivised to meet this need. Building on the progress it has made this year in legislating to protect access to cash, Government should be more directive here to ensure that an appropriate proportion of the significant savings being made by the banks each time they leave a community is applied to the continued provision of local, face-to-face, services. This must extend to keeping the cash infrastructure which sits behind the customer-facing end properly resourced and maintained.

Continuing on the theme of financial services, Post Office have also just announced a renewed commitment with the Bank of Ireland, which will see us continue to provide a wide range of Savings products online and in-branch including Easy Access Cash ISAs, Junior ISAs, Instant Saver accounts and Growth Bonds. Our extensive branch network ensures customers who can't, or prefer not to, go online can continue to access savings products on the High Street. The Post Office's new financial services partnership with the Bank is focused on savings but will also, for the first time, also enable the Post Office to strike new deals in the future with other financial providers, particularly with regards to personal loans.

We have introduced innovation into our branch formats, designed better to reflect the shift in customer needs we have witnessed since the pandemic, with people shopping more locally and continuing to capitalise on the convenience of e-commerce. The new Drop & Collect format addresses a gap in our offering, particularly in urban areas, with a simpler over the counter proposition enabling faster and more convenient solutions to match the continued growth in online shopping. In March 2023 we had 232 Drop & Collect branches open and trading. We now have 500. This demonstrates real pace in our ability to focus on, and deliver for, our customers.

The network remains the cornerstone of our success, thanks to the commitment of our Postmasters and our continued presence on high streets across the country. But it also needs to evolve and adapt in order to thrive. With convenience and speed at the top of customers' preferences, surely now is the time for our proposition to be wholly franchise-led. We will, therefore, ensure that we maintain our unrivalled nationwide coverage but do so in the way which most appropriately meets local needs and generates fair remuneration for Postmasters.

Of course, the real value in our network is to be found in the people who operate our branches. Our Postmasters have not been immune to the pressures facing retailers and, where it has been possible, we have sought to increase the remuneration they receive for handling Post Office business, including the one-off cost of living payment in August 2022. Then, in March 2023, we increased fees for banking deposits by 20% and took a number of other related measures in this service segment. I was also pleased to join forces with them as we sought to ensure that Postmasters continued to benefit from Government's assistance with energy bills beyond the six-month duration of the original scheme. Reflecting the role which sales techniques and cost-cutting measures can play in boosting profit, we also launched a programme of branch-specific surgeries to help Postmasters optimise the profitability of individual post offices. These 'Branch MOTs' have proved successful and popular, and have continued into 2023/2024.

Plainly, however, improving branch profitability remains a central challenge facing the business and is, accordingly, a clear priority. In addition to looking at ways to boost income directly, we have also been working hard to create new opportunities for our Postmasters. Following a three-year-plus campaign which we are proud to have led from the front, Government has now legislated to protect free-to-use cash services for people and business across the country. That guarantee should cement the position of our branches as one of the principal channels for accessing cash services in the long term, particularly as we look ahead to the negotiation of Banking Framework 4 due to come into effect in January 2026. Our mails strategy will create further opportunity, enabling them to offer and service the widest possible range of carrier options for their customers. We continue to work with Government to maintain the availability of their products and services in our branches priced to enable appropriate remuneration, for instance those from the DVLA, which we know customers want and on which our Postmasters rely.

The success of our platform products, which blend online and offline elements, has been exceptional, with very strong insurance sales, continuing demand for foreign currency, and the impact of rising interest rates being some of the key drivers. Such was the performance of this product segment that it enabled us to fund the one-off cost of living payment to Postmasters in August 2022 by sharing the profit associated with that additional revenue directly with them. That approach holds important lessons for us in developing a long-term and sustainable solution to the challenge of boosting Postmaster remuneration. It remains my view that some form of structural change to our operating model to facilitate appropriate arrangements such as this might well be part of the answer. Only by doing so, can Post Office ensure that the interests of the business and the Postmasters are structurally aligned. That question is, of course, one for our Shareholder to consider and determine, as they decide the future role and direction of the business more broadly.

Against an extremely challenging trading landscape, and the absolute imperative of securing answers, justice and compensation for the wrongs committed, we have sought to modernise the business and create new opportunity where we can – especially in cash and banking, mails, and digital identity, the potential of which is just beginning to be better understood. Since 2019, Post Office has taken major steps towards rebalancing its relationship with Postmasters, redesigning processes across the board to prevent a recurrence of past events, and embarking on the design and build of a modern replacement for the outdated Horizon system.

However, the last statement of Government policy for the Post Office is now well over a decade old. For all the good progress we have made, the absence of an updated policy direction makes further investment and transformation challenging in that the end goal remains somewhat ill-defined. Given the pronounced change across all our spheres of activity during those 10-plus years – consumer preferences post-pandemic, the digital-

UKGI00044323

first approach to the delivery of Government services, the banks' concerted move away from cash and the high street, and a fiercely competitive mails market to name just a few – a fresh review of Government policy for the Post Office is a necessity. The Post Office is well placed to engage with Government and its many stakeholders to shape and secure its future for the next generation, helping to plot a course to achieve fair and sustainable reward for today's Postmasters in the process.

Turning now to our legacy responsibilities, we have continued to support Sir Wyn William's POHIT Inquiry with dedication, energy, and transparency, including by being accountable for things when they have gone wrong. Given past behaviours, it is understandable that some will suspect ill-intent when mistakes occur, as they have more recently in the context of the significant level of disclosure we are providing for the POHIT Inquiry, spanning more than two decades and more than 60 million records. However, and as I have said previously, we fully understand that there can be no new beginning for the Post Office until such time as it has fully reckoned with, and made amends for, its past. Any suggestion that today's Post Office is deliberately placing obstacles in the way of that outcome is wholly misplaced.

It was today's Post Office that agreed to settle the Group litigation and we will not rest until justice is achieved, and full and fair compensation paid, for all those so badly affected by the events of the past. Set against the processes and procedures we have to follow to both secure the necessary funding from Government for compensation payments and to make them, we have made good progress. At the time of writing, we have made settlement offers to all of the original cases in the HSS. Having kept the HSS open for late applications, there are currently a further 105 to process and any further applications will continue to be reviewed while the Scheme remains open. As at 30 November 2023, 224 late applicants have received offers. Compensation for those with overturned convictions continues to progress, thanks to Government's recent announcement that we may now make fast-track offers of £600,000 for those who wish to take up the offer. For those who decide that the offer is unsuitable, achieving full and fair compensation will be helped by a set of principles, transparently setting out how claims will be assessed, alongside the formation of an independent panel to consider any remaining points of dispute.

We have always been clear that Sir Wyn should be afforded all the time which he and his team feel is necessary to draw conclusions and make recommendations. Yet as the POHIT Inquiry, which was originally established in 2020, enters into the second half of its evidence-taking phase, it is now reasonable for Post Office to ask itself what comes next. This is a business which has continued to meet the evolving needs of its customers throughout this difficult period, not least through the dedication and commitment of its Postmasters. Post Office will still emerge from this, the darkest chapter in its long history, as an important and positive contributor to the nation's life.

I would like to conclude by thanking the Board, as well as our Shareholder and colleagues at the Department for Business and Trade, who have been instrumental in supporting the Executive Team as we continue to navigate challenging waters. I also want to record my deep appreciation for the hard work of all my colleagues in our various office locations whose determination to build a better business I witness every day. My final thanks are, of course, to the people running post offices right across the country for their dedication, kindness, and care in providing access to essential services to millions. There is, quite simply, no other business with the ability to reach every community like the Post Office. It has always been and, I hope, will long continue to be a vital national asset.

GRO

Nick Read
Chief Executive Officer

11 December 2023

UKGI00044323

Financial and Business Review

Overview

The Group reported a total statutory loss of £76 million for the year ended 26 March 2023, compared to a loss of £130 million in 2022. The current year loss was primarily caused by impairments of fixed assets amounting to £255 million, reflecting a challenging outlook for future trading. A net credit of £135 million (2022: £84 million net expense) relating to Remediation Matters (formerly known as Historical Matters) was recognised, partially offsetting the impairment charges. This net credit was primarily driven by a decrease in the Overturned Convictions ("OC") provision (formerly known as Overturned Historical Convictions), which offset the legal and running costs associated with Remediation Matters. Additionally, the ongoing implementation of the Horizon replacement programme incurred significant expenses during the year, and there was £84 million (2022: £104 million) of depreciation and amortisation charged. Further explanation of these movements is included within this report.

The Group's trading profit, being a non-statutory measure as defined in note 23 to the financial statements, increased by £8 million to £50 million (2022: £42 million). The absence of Covid-19 restrictions throughout the year helped drive strong travel and insurance-related results, which continue to exceed expectations, and the high interest environment benefited mortgages, savings and loans revenue. Banking was also an area of growth and strong performance as the Group continued to benefit from the closures of high-street bank branches. However, these positive factors were counterbalanced by mails trading, which continued to decline as a result of changing consumer behaviour and the impact of Royal Mail industrial action. Notwithstanding this decline in mails trading, the Group achieved a seventh consecutive year of trading profit, but remains cautious of the future potential impact of mails decline and ongoing inflationary and other cost pressures.

	2023 £m	2022 £m	Variance £m	Variance %
Revenue	**885**	834	51	6
Costs (Note 1)	**(865)**	(796)	(69)	9
Other operating income	**1**	1	-	-
Share of profit from joint venture	**29**	3	26	867
Trading profit (Note 2)	**50**	42	8	19

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

Note 2 - Non-statutory measure (alternative performance measure) being operating profit before depreciation, amortisation, impairment, exceptional items, investments and Network Subsidy Payment. This is explained further in note 23 to the financial statements.

	2023 £m	2022 £m	Variance £m	Variance %
Revenue	**885**	834	51	6
Adjusted EBITDA (note 3)	100	92	8	9
Trading profit (note 4)	50	42	8	19
Loss for the financial year	(76)	(130)	54	42

Note 3 - Non-statutory measure (alternative performance measure) being operating profit before depreciation, amortisation, impairment, exceptional items and investments. This is explained further in note 23 to the financial statements.

Note 4 - Non-statutory measure (alternative performance measure) being operating profit before depreciation, amortisation, impairment, exceptional items, investments and Network Subsidy Payment. This is explained further in note 23 to the financial statements.

In 2019/20 the Group ended the year in a net liability position for the first time since 2012, driven by the recognition of a £153 million provision for the HSS. The Group has remained in a net liabilities position since, with a loss of £76 million (2022: £130 million) recognised in 2022/23, primarily driven by impairments totaling £255 million (2022: £nil). The Group remains in a net liability position of £799 million (2022: £724 million).

UKGI00044323

Revenue

The Post Office business has three commercial pillars: Mails, Retail and Government Services; Banking Payments and Transactional Services; and Financial Services, Identity Services and Insurance. Revenue from our subsidiary Post Office Management Services Limited ("POMS") is included within the Insurance line. Revenue from our subsidiary Payzone Bill Payments Limited ("Payzone") is included within the Payment Services line. These divisions and their performance are detailed on the following pages.

	2023 £m	2022 £m	Variance £m	Variance %
Revenue				
Mails	**310**	356	(46)	(13)
Retail, Lottery & Gift Cards	**31**	34	(3)	(9)
Government Services	**26**	21	5	24
Mails, Retail & Government Services	**367**	411	(44)	(11)
Banking Services & ATMs	**263**	230	33	14
Transactional Financial Services	**69**	60	9	15
Payment Services	**43**	28	15	54
Post Office Card account ("POCa")	**4**	11	(7)	(64)
Banking, Payments & Transactional Services	**379**	329	50	15
Mortgages, Savings, Loans & Credit Cards	**68**	31	37	119
Insurance	**52**	39	13	33
Identity Services	**6**	12	(6)	(50)
Financial Services, Identity Services and Insurance	**126**	82	44	54
Other (note 5)	**13**	12	1	8
Total Revenue	**885**	834	**51**	**6**

Note 5 - Principally relates to Supply Chain income of £10 million (2022: £9 million) predominantly for warehousing of Royal Mail stock, transport of high value mails and release of Bank of Ireland deferred income of £3 million (2022: £2 million). The remaining balance of £nil (2022: £1 million) is made up of individually immaterial revenue balances.

Mails

Mails includes the sale of parcel labels, special delivery, and home shopping returns along with other mails products provided by Royal Mail, Parcelforce, DPD, Amazon and Evri. Underlying mails trading decreased by £46 million to £310 million (2022: £356 million) driven by lower volumes across labels, stamps and international impacted by volumes migrating directly to Royal Mail, cost-of-living crisis, Royal Mail industrial action, and temporary suspension of international services due to a cyberattack on Royal Mail in January 2023.

Retail, Lottery & Gift Cards

This revenue represents physical items sold over the counter including retail items, lottery tickets and gift cards. Revenue decreased by £3 million to £31 million (2022: £34 million) with lottery decreasing by £2 million, as scratch card revenue declined due to inflationary pressures, and gift card revenue decreasing by £1 million.

Government Services

Government services relates to Home Office passport applications, DVLA services and UK visas and immigration residency permits. Revenue increased by £5 million to £26 million (2022: £21 million). UK visa applications revenue rose by £3 million as more Ukrainian refugees sought visa applications. Similarly, an uplift of passport volumes contributed to a further increase of £2 million due to returning customer confidence around summer travel.

UKGI00044323

Banking Services & ATMs

Banking services relates to customer banking deposits and withdrawals over the counter. Banking services and ATMs' revenue increased by £33 million to £263 million (2022: £230 million). Deposits revenue was up £11 million, driven by sustained volume and deposit growth offsetting the impact of the cost of living and the introduction of deposit limits, which started to come into effect during the year. Withdrawals revenue increased by £3 million and the fixed framework fee increased by £4 million. ATMs' revenue increased by £12 million due to bringing the ATM estate under Post Office ownership, as well as an increase in ATM withdrawal volumes since the prior year, as people turn to cash for budgeting during the continued cost-of-living crisis.

Transactional Financial Services

Transactional financial services products include travel money, MoneyGram, Western Union and Postal Orders. Revenue increased by £9 million to £69 million (2022: £60 million) led by strong performance in travel money as travel rebounded faster than expected.

Payment Services

Payment services include bill payment transactions and the Payzone business. Revenue has increased by £15 million to £43 million (2022: £28 million) due to the strong payout performance driven by additional council tax and energy rebate schemes that were undertaken during the year. This provided a valuable cash service to those unable to access this Government-led support elsewhere.

Post Office Card Account

Planned migration away from Post Office Card account ("POCa") continued during the year resulting in revenue decreasing by £7 million to £4 million (2022: £11 million). The POCa product has now ceased, with any remaining accounts managed through a voucher encashment scheme.

Mortgages, Savings, Loans & Credit Cards

Combined mortgage, savings, loan and credit cards revenue increased by £37 million to £68 million (2022: £31 million). This was predominantly due to higher incentives from Bank of Ireland and reflects the impact of rapidly increasing interest rates throughout the year.

Insurance

Post Office Management Services, subsidiary of Post Office Limited, provides travel, life and general insurance policy cover. Insurance revenue increased by £13 million to £52 million (2022: £39 million). Travel insurance drove the increase, with a £15 million improvement on prior year, from £15 million to £30 million as the travel market recovered strongly.

Identity Services

Identity services predominantly relates to digital identity, in-branch document verifications and Disclosure & Barring Services. Revenue halved to £6 million (2022: £12 million) predominantly from the verify product no longer being provided. However, as higher verify volumes incurred higher associated fees, the impact on profit is minimal.

Joint Venture

Post Office has a joint venture with the Bank of Ireland with each party holding 50% of First Rate Exchange Services Holdings Limited ("FRESH") shares, whose principal activity is the supply of foreign currency exchange in the UK to the Post Office and others. FRESH's overall result has dramatically improved as a result of a full year without any Covid-19 restrictions in place. As such, Post Office's share of post-tax profit from the joint venture was £29 million (2022: £3 million).

UKGI00044323

Costs

Trading costs increased by £69 million to £865 million (2022: £796 million). Postmaster remuneration, which includes payments made to Payzone agents of £3 million (2022: £3 million), increased by £10 million to £402 million (2022: £392 million) with £6 million relating to a one-off payment made in August 2022 and an additional £3 million of funding recognised in March 2023 for Postmasters affected by the adverse Mails trading during the year.

People costs excluding amounts recognised in investment spend and amounts capitalised as intangible assets increased by £11 million to £175 million (2022: £164 million) with headcount increasing across the business and pay awards issued to all grades. Average headcount increased from 3,415 in 2021/22 to 3,486 in 2022/23 reflecting capability builds particularly in the IT space, and additional resource required to support the Horizon replacement and Remediation Matters programmes. Closing headcount for the year was 3,592 (2022: 3,380).

Other trading costs, excluding Postmaster and people costs, have increased by £48 million to £288 million (2022: £240 million), primarily driven by higher IT costs, increased losses, additional costs to support the payout schemes and more marketing expenditure, which aims to drive greater profitability overall.

Exceptional Items

Exceptional items are significant, one-off items which require disclosure on their own in the income statement due to their material size and nature. An overall exceptional credit of £135 million (2022: £90 million charge) was recognised in the year. This includes an overall credit for Remediation Matters related items of £135 million (2022: £84 million charge), primarily driven by a significant reduction to the OC provision, offsetting Remediation Matters related running and legal costs. In the prior year, exceptional items also included £6 million of other legal costs, of which there were none in the current year. The Remediation Matters related items are explained further below and are detailed in notes 1 and 4 to the financial statements.

Inquiry

The POHIT Inquiry, led by Sir Wyn, was placed onto a statutory footing on 1st June 2021 and began its oral hearings in February 2022. Costs of £38 million (2022: £12 million) have been incurred in the year in relation to legal and running costs.

Horizon Shortfall Scheme

As part of the settlement reached with the claimants in the Post Office Group Litigation in 2019, Post Office agreed to establish a remediation scheme open to Postmasters who had not participated in the Group Litigation but who had experienced similar issues relating to shortfalls indicated by previous versions of the Horizon system. This remediation scheme as of 7 July 2023 is now known as the Horizon Shortfall Scheme ("HSS"), formerly the Historical Shortfall Scheme. 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, with an extension until 27 November 2020 for claims with exceptional circumstances. However, since October 2022, the scheme has accepted eligible late claims and has also accepted a number of previously submitted claims made by Postmasters who ran their Post Office through a limited company which had subsequently been dissolved. These developments are reflected in the accounting estimates made as at the balance sheet date in line with IAS 8.

As at 30 November 2023, the HSS had received 2,751 claims, 333 of which relate to late applications. Of these late applications, 291 have been confirmed as eligible applications. Settlement offers have been made to 97.5% of eligible claimants, both original and late claimants, with 84% having received a payment, showing significant progress in the scheme during the financial year and up to the point of signing these financial statements.

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A provision of £127 million (2022: £172 million) has been retained in respect of the HSS. The decrease in the provision is driven by settlements of £61 million made in the year to claimants to the scheme, offset by changes in accounting assumptions underpinning the provision estimate, including the incorporation of additional costs for tax uplift payments. This represents management's latest and best estimate of the potential future payments associated with the claims received and those expected through the eligible late claims process. The provision requires a number of significant estimates and assumptions by management, with the level of estimation risk heightened as a result of the volume and range of claims received along with the complexity of some claims, with simpler claims being settled first.

Funding agreements regarding the scheme are in place until 31 March 2025, with Government funding settlements to claimants up to a value of £233 million, subject to Post Office funding the first £87 million. The £87 million settlement level was exceeded after the balance sheet date and Government is now providing funding for settlements. All running costs of the scheme in the year and previously have been funded by Post Office, with running costs after the balance sheet date until 31 March 2025 expected to be funded by the Government; see the going concern section in note 1 to the financial statements for further details.

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

Overturned Convictions

In March 2020, following two High Court judgments which were handed down in March 2019 and December 2019, the Criminal Cases Review Commission ("CCRC") announced its decision to refer a number of historical convictions of Postmasters, branch managers and/or branch assistants (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, and as at 24 November 2023, the appellate courts (which includes the Court of Appeal Criminal Division ("CACD"), the Southwark Crown Court, the Scottish High Court and the Court of Appeal in Northern Ireland*)* have overturned 93 convictions, of which Post Office was the prosecutor for 88 (together, "the Appeals"). The CCRC is understood to be reviewing a further 23 applications to refer convictions prosecuted by Post Office for appeal.

Post Office has identified a total of 700 convictions in cases it prosecuted between 1999 and 2014 in which Horizon computer evidence might have featured. Post Office is taking extensive action to ensure that miscarriages of justice are fully addressed through the Courts. 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.

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 2021/22 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 appealed or are currently appealing convictions.

As at 24 November 2023 a total of 142 cases have had their appeal case reviews completed, with 88 convictions overturned and 54 cases having the conviction upheld, refused permission to appeal or withdrawn from the court.

A provision of £244 million (2022: £487 million) has been retained in respect of OC. This represents management's latest and best estimate of the potential future payments associated with civil claims which may be received, 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

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and the potential settlement amounts, with the estimates taking into account settlements made to date, ongoing discussions with those whose claims are currently being assessed as part of the OC process and the Government's announcement on 18 September 2023 regarding an option of a £0.6 million up-front in final settlement. The reduction in the provision year on year is primarily driven by changes in assumptions underpinning the model, including the low rate of convictions being overturned. The provision is also impacted by payments made to those who have had convictions overturned, both interim and final payments, totalling £13 million in year, and the discounting of the forecasted future cashflows, the impact of which is material at the balance sheet date. The level of estimation risk is increased as a result of the early stage of the proceedings, with only five overturned convictions having had full and final settlement as at 30 November 2023.

In December 2021, Government formally confirmed it would provide funding in respect of future payments arising as part of the OC, up to a maximum of £780 million, which is in excess of the total provision value plus settlements made to date. The funding will be recognised at the point the settlement becomes virtually certain. See the going concern section of note 1 to the financial statements for further details regarding the latest funding position.

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 2021/22 a decision was taken by the Directors to provide redress to those Postmasters historically impacted. During the 2022/23 financial year the Suspension Remediation Review ("SRR") was launched and redress to both current and former Postmasters began.

A provision of £64 million (2022: £62 million) has been retained at the balance sheet date, 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 uncertainty increased as a result of the period of time for which the previous policy was in operation and due to the early stage of the redress process. The increase from the prior year relates to updated management estimates. Further details regarding the provision estimate can be found in the critical accounting estimates section of note 1 to the financial statements.

Government funding to cover payments made in respect of SRR is in place until 31 March 2025, up to a maximum of £116 million. The funding will be recognised at the point the settlement becomes virtually certain. See the going concern section of note 1 to the financial statements for further details regarding the latest funding position.

As part of ongoing internal reviews into historical operational policies and processes it has been identified that some historical operational issues may have impacted some Postmasters financially. On 8 November 2023 the Group announced on its corporate website that it plans to establish a review to provide redress to Postmasters affected. On the same date the Government announced its intentions to support the Post Office with funding to cover the cost of compensation to Postmasters affected. The funding is subject to compliance with subsidy control requirements, including referral to the Subsidy Advice Unit (part of the Competition and Markets Authority) under the Subsidy Control Act 2022. The announcements of an intention to create a review to compensate those Postmasters affected is deemed a triggering event for a liability and therefore it is expected that a liability, contingent or realised, will be disclosed in the financial statements for the year ended 31 March 2024. At this point in time, it is not possible to accurately estimate the potential liability that may arise as a result of this process. As there was no trigger for the liability at year end, no liability, contingent or otherwise, has been recognized; however the Directors are including this statement, alongside a disclosure in the contingent liabilities note and post balance sheet events note, see notes 20 and 25 of the accounts respectively, for transparency to stakeholders and continue to keep this under close review.

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Impairment

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

Analysis performed indicates the carrying value of the assets of both the Post Office Limited CGU and Payzone Bill Payments Limited CGU exceed the recoverable amount based on current forecasts, when ignoring future capital expenditure and investment plans, which have been excluded from the value in use calculation in accordance with IAS 36. Consequently, a partial impairment of the Post Office Limited CGU has been recognised, incurring an impairment charge of £217 million (2022: £nil) in the year. This includes £110 million (2022: £nil) related to intangible assets and £107 million (2022: £nil) related to property, plant and equipment. The joint venture investment and freehold land and buildings, which are part of the Post Office Limited CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD. An additional impairment charge of £7 million (2022: £nil) in respect of the Payzone Bill Payments Limited CGU has been recognised, of which £5 million (2022: £nil) related to intangible assets and £2 million (2022: £nil) related to property, plant and equipment.

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

In addition to the CGU assessment, a decision was made to discontinue an IT project that was part of a transformational programme to move existing software onto cloud infrastructure. As a result, an additional impairment of £31 million (2022: £nil) was recognised. See note 9 to the financial statements for details.

Investment and Capital Spend

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

	2023 £m	2022 £m
Investment funding	**75**	-
Investment spend		
Business transformation	**(1)**	(6)
Network programmes	**(1)**	(9)
IT transformation	**(36)**	(11)
Severance	**-**	(2)
Total restructuring costs	**(38)**	(28)
Net investment funding / (spend)	**37**	(28)
Capital spend		
Property, plant and equipment	**(14)**	(12)
Right-of-use-assets	**(26)**	(17)
Intangible assets	**(52)**	(44)
Total capital spend	**(92)**	(73)
Net investment spend after capital spend	**(55)**	(101)

UKGI00044323

Investment Funding

Investment funding of £75 million (2022: £nil) was received from the Department for Business and Trade ("DBT"), formerly Department for Business, Energy and Industrial Strategy ("BEIS"), for transformation activities, forming part of the three-year funding agreement with Government from April 2022 to 31 March 2025. In the prior year alternative funding totalling £177 million was provided by DBT in the form of a £52 million loan and share purchases totalling £125 million, see notes 15 and 19 to the financial statements for details.

Restructuring

Total restructuring costs increased from £28 million to £38 million, with the majority of spend being in relation to ongoing programmes to transform IT infrastructure, including the Horizon replacement programme.

Capital Spend

In addition, we have incurred £92 million (2022: £73 million) of capital spend, which includes right-of-use assets, primarily on IT transformation projects, as disclosed in notes 9 and 10 to the financial statements.

Total Loss

The overall result for the year was a loss after tax of £76 million (2022: loss of £130 million). Significant contributors to the year-on-year movement are the impairments recognised in the year totaling £255 million (2022: £nil) and the Remediation Matters related net credit of £135 million (2022: £84 million net expense), driven primarily by a reduction in provisions.

Full results are set out on page 72 and further commentary on key aspects is outlined below.

Net Liabilities

The Group ended the year with net liabilities of £799 million (2022: £724 million). The movement was driven by the total comprehensive loss incurred for the year. 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 £550 million (2022: £367 million) at the year end. There was a net cash inflow during the year of £183 million (2022: £2 million).

Operating activities resulted in a net cash inflow of £169 million (2022: £10 million outflow) which was driven primarily by working capital movements, most notably payables which was positively impacted by the energy payout schemes, offset by restructuring and other exceptional costs incurred during the year.

Post Office seeks to minimise the amount drawn down on the working capital facility from DBT ("the facility") in order to reduce its interest cost. The facility is limited to a maximum of £950 million (2022: £950 million); the unused facility at the end of the year was £519 million (2022: £621 million). The maximum drawn down under the facility during the year was £750 million in January 2023. The facility is available at one day's notice and expires on 31 March 2025.

A covenant, known as Security Headroom, exists within the facility. This covenant is in place to ensure there is sufficient collateral in the form of cash and other assets to cover the borrowings under the facility. The total value of the defined assets, being cash and near cash items, should be equal to or greater than the total borrowings under the facility at each monthly reporting period end. At year-end headroom on this covenant sat at £349 million (2022: £253 million), the increase was driven by the cash received for energy payout schemes. No breaches in headroom occurred in the year however breaches are forecast in the going concern period, see note 1 to the financial statements.

UKGI00044323

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

The Bank of England Note Circulation Scheme

The continued participation in the Note Circulation Scheme ("NCS") assures that Post Office has an adequate supply of banknotes to meet customer demand across its network and provides a mechanism which enables Post Office to hold Bank-of-England owned notes. At the end of the year £202 million (2022: £322 million) of Bank-of-England owned notes were held. See note 22 to the financial statements for further details on the NCS.

Pensions

Post Office participated in two defined benefit plans during the year, one of which was subject of a full buy-out during the year. The Royal Mail Senior Executives Pension Plan ("RMSEPP"), for which Royal Mail was the principal employer, and Post Office a participating employer within, was bought out in June 2022. Post Office remains 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. The RMPP is closed to new members and closed to future accrual. The history of both schemes can be found in note 18 to the financial statements.

Post Office also operates a defined contribution scheme – the Post Office Pension Plan. The income statement charge for the year in relation to the defined contribution scheme was £13 million (2022: £13 million). Net cash payments made in 2022/23 relating to regular pension contributions amounted to £13 million (2022: £12 million). Further detail on Post Office's pension schemes can be found in note 18 to the financial statements.

Financial Reporting Council Review

During the year, the Financial Reporting Council ("FRC") conducted a full review over the reporting included in the Annual Report and Accounts ("ARA") for the year ended 28 March 2021. The review included substantive questions regarding the critical accounting judgment that the retail offering provided by the national network of branches as a whole is deemed to be one CGU for the purpose of the impairment testing required by IAS 36, 'Impairment of Assets', in addition to questions as to why the Remediation Matters provisions were not discounted given the significant non-current element of the liabilities.

The FRC was satisfied with the responses provided by Post Office and closed its review. In response to the FRC review additional disclosure has been included regarding the CGU assessment within note 1 to the financial statements, providing further clarity on the assessment made. The time value of money is considered at each balance sheet date for material provisions, including the Remediation Matters provisions, with the risk-free rate on that of a government bond, which is used to assess the risk adjusted cashflows, being low during the year in question.

In making its comments, the FRC provides no assurance and clarifies that its role is not to verify the information but to consider compliance with reporting requirements.

Section 172(1) Statement

The disclosure of the S172(1) statement is included within the Governance section on pages 35 and 36.

GRO

Nick Read
Chief Executive Officer

11 December 2023

UKGI00044323

Governance

Corporate Governance

Post Office is wholly owned by the Department for Business and Trade ("DBT"). Ownership of the Post Office was transferred from the Department for Business, Energy and Industrial Strategy ("BEIS") to DBT on 03 May 2023, being the effective date under the Transfer of Functions (National Security and Investment Act 2021 etc.) Order 2023. DBT holds a special share in the Post Office, the rights of which are enshrined within the Post Office's Articles of Association.

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

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

Corporate Governance Overview 2022/23

The Post Office maintains standards of corporate governance appropriate to its ownership structure and is committed to continuous improvement. Guidance on observance of standards of good corporate governance is set out in the Shareholder Relationship Framework Document. While not a listed company, Post Office takes into consideration the requirements of the 2018 UK Corporate Governance Code ("UKCGC") and, where necessary, sets out where certain provisions do not apply. The Post Office also has regard to the principles of the Corporate Governance Code for Central Government Departments. Post Office keeps corporate governance arrangements under review to ensure they remain in line with relevant legal and regulatory changes, as well as generally accepted principles of good corporate governance. Examples of where governance arrangements differ for Post Office from those set out in the UKCGC and the Corporate Governance Code for Central Government Departments are principally where alternative governance arrangements apply or because the Post Office is not listed, not a Central Government Department or not an Arm's Length Body.

Board membership during 2022/23, up to the date of signing, is set out on pages 20 and 21. The Shareholder Representative Non-Executive Director, Lorna Gratton, serves as a member of the Audit, Risk and Compliance Committee ("ARC") and the Remuneration Committee ("RemCo"), and Elliot Jacobs, one of the Post Office's Postmaster Non-Executive Directors, is a member of the ARC. While neither is an independent Non-Executive Director, the involvement of Lorna Gratton is seen as important in the provision of assurance to the Shareholder,

UKGI00044323

and the involvement of Elliot Jacobs means that the ARC can draw directly on the operational experience and knowledge of a key stakeholder. The balance of committee members of the ARC and the RemCo are independent Non-Executive Directors, and the Post Office is therefore satisfied that it has good reason, in support of well-informed decision-making, not to comply in full with provisions 24 and 32 of the UKCGC, which stipulate that only independent Non-Executive Directors should be members of the ARC and the RemCo.

Membership of the Nominations Committee ("NomsCo") during part of the period was not in alignment with the UKCGC. Rather than comprising a majority of independent Non-Executive Directors, following the appointment of Saf Ismail to the NomsCo, the NomsCo comprised an equal number of independent Non-Executive Directors and non-independent Non-Executive Directors. As in the case of the ARC and the Remco, having Lorna Gratton as a member of the NomsCo provides important assurance to the Shareholder, and the appointment of Saf Ismail to the NomsCo allows the NomsCo to access the unique perspectives of a Postmaster Non-Executive Director.

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

During the year there were two periods when the composition of the Board was not in line with provision 11 of the UKCGC. The first period was from 1 October 2022 through to 30 November 2022, when Tim Parker stepped down from the Board on 30 September 2022. Ben Tidswell was appointed as Interim Chair for this period, during which time, less than half the Board comprised independent Non-Executive Directors. This period of non-alignment was of short duration and Henry Staunton joined the Board as Chair on 1 December 2022, at which point the Board composition was back in alignment with the UKCGC. The second period of non-alignment with provision 11 of the UKCGC followed the stepping down from the Board of Carla Stent on 17 February 2023 and Zarin Patel on 13 March 2023, until the appointments of Simon Jeffreys and Amanda Burton who joined the Board on 23 March 2023 and 27 April 2023 respectively. Again, the period of non-alignment was short, with the incoming independent Non-Executive Directors joining the Board in short succession, bringing the Board composition back in alignment with the UKCGC. During these short periods of non-alignment, the Board is satisfied that its decision-making was appropriately balanced and that the Board remained accountable to the Shareholder, with the Board's decisions and performance subject to scrutiny and challenge in the usual way.

UKGI00044323

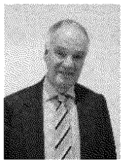
Board of Directors

The Chair of the Board and the Shareholder Representative Non-Executive Director are appointed by the Shareholder. Independent Non-Executive Directors are appointed by the Board subject to the prior written consent of the Shareholder having been provided. The Postmaster Non-Executive Directors are appointed by the Board subject to the prior written consent of the Shareholder having been provided and following an initial ballot of Postmasters. Non-Executive Directors are usually appointed for an initial term of three or four years with scope to renew for a second term or subsequent period, subject to the approval of DBT. The appointment period of the Shareholder Representative Non-Executive Director is determined by the Shareholder. Set against the context of Post Office's ownership structure as a wholly owned company, Directors are not subject to annual re-election.

During 2022/23 the Board of Directors comprised an independent Non-Executive Chair, the Group Chief Executive Officer, the Group Chief Finance Officer, the Shareholder Representative Non-Executive Director, five independent Non-Executive Directors (one of whom is designated the Senior Independent Director) and two Postmaster Non-Executive Directors. Non-Executive Directors are not employees of the Post Office; they provide services under the terms of an individual letter of appointment, signed at the commencement of their directorship.

UKGI00044323

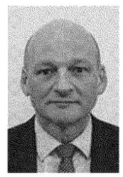
The current Board membership at the point of signing is as below.



Henry Staunton
Independent Chair of the Board, Chair of the Nominations Committee and member of the Remuneration Committee
Joined the Board 1 December 2022

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

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



Ben Tidswell
Independent Non-Executive Director, interim Chair of the Board 1 October 2022 until 30 November 2022, Chair of the Remediation Committee, member of the Remuneration Committee, member of the Nominations Committee and Senior Independent Director
Joined the Board 27 July 2021

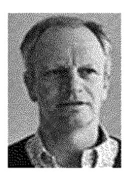
Elliot Jacobs
Non-Executive Director and Postmaster Member of the Audit, Risk and Compliance Committee and member of the Investment Committee**
Joined the Board 3 June 2021

Saf Ismail
Non-Executive Director and Postmaster Member of the Nominations Committee
Joined the Board 3 June 2021

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

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

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



Nick Read
Group Chief Executive Officer
Joined the Board 16 September 2019

Alisdair Cameron
Group Chief Finance Officer
Joined the Board 28 January 2015

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

* Amanda Burton has held a number of previous Remuneration Committee Chair roles.
** The Investment Committee was established as a new Board sub-committee on 26 September 2023.

UKGI00044323

Board departures during the year ended 26 March 2023, and up until the point of signing, are shown below:

Tim Parker

Independent Chair of the Board, Chair of the Nominations Committee and member of the Remuneration Committee

Joined the Board 1 October 2015

Stepped down from the Board 30 September 2022

Carla Stent

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

Joined the Board 21 January 2016

Stepped down from the Board 17 February 2023

Zarin Patel

Independent Non-Executive Director, Senior Independent Director, member of the Audit, Risk and Compliance Committee and the Remediation Committee

Joined the Board 26 November 2019

Stepped down from the Board 13 March 2023

Tom Cooper

Shareholder Representative Non-Executive Director, and member of the Audit, Risk and Compliance Committee, Remuneration Committee, Nominations Committee, and Remediation Committee

Joined the Board 27 March 2018

Stepped down from the Board 11 May 2023

Lisa Harrington

Independent Non-Executive Director, Chair of the Remuneration Committee, member of the Nominations Committee, interim Chair of the Nominations Committee 1 October 2022 until 30 November 2022

Joined the Board 8 April 2020

Stepped down from the Board 1 June 2023

UKGI00044323

Independence

Henry Staunton (Chair), Simon Jeffreys, Amanda Burton, Andrew Darfoor, Ben Tidswell and Brian Gaunt are independent Non-Executive Directors. Lorna Gratton is not an independent Non-Executive Director as she is the Shareholder Representative Non-Executive Director. Saf Ismail and Elliot Jacobs are serving Postmasters, and as such, are also not independent Non-Executive Directors. Nick Read and Alisdair Cameron hold executive roles and, as such, are not independent Directors.

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

- The Post Office's business relationship with WHSmith would not affect Mr Staunton's independence, objective judgement or his ability to hold executive management of the Post Office to account;
- WHSmith was only one of Post Office's key strategic partners; and
- Mr Staunton had extensive experience in leading and contributing to boards and holding executive management teams to account, both as a Chair and a Non-Executive Director.

Conflicts of Interest

In accordance with the Companies Act 2006, the Articles of Association give the Directors power to authorise conflicts of interest. During the period, the Chair declared his wife's ordinary shares in WHSmith plc.

Following discussion on the declaration, and noting that the Chair did not participate in the vote, the Board agreed that the conflict of interest as disclosed by the Chair could be authorised, subject to a number of conditions. These conditions included that the Chair would be excluded from the receipt of information, the participation in discussion or the making of decisions (whether at meetings of the Board or otherwise) which would directly impact WHSmith plc, and that the Chair would provide the Post Office's Group General Counsel with notice prior to the purchase or divestment of any share capital in WHSmith plc by him or his wife, and take into account any reasonable request in relation to any such purchase or divestment.

No other Directors had a material interest in any contract of significance with the Post Office or any of its subsidiaries.

The Shareholder Relationship Framework Document also provides that where there is potential for a perceived conflict of interest between Board membership and the Shareholder function, the Shareholder Representative Non-Executive Director should recuse themselves from the relevant Board decision and that the appointment letter for the Shareholder Non-Executive Director should contain provisions specifically on the approach to conflicts of interest (including perceived conflicts of interest). In relation to the Postmaster Non-Executive Directors, they periodically state their ongoing conflict of interest in being practising Postmasters.

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

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

UKGI00044323

Role and responsibilities

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

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

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

The Board reviews the strategy and approves the annual budget required to deliver the strategic objectives annually. The Board regularly reviews reports on performance against the annual budget and receives 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.

The Terms of Reference of the GE require the GE to consider all papers ahead of submission to the Board. This ensures that Board materials are carefully reviewed and are only authorised for onward submission to the Board if the GE is satisfied with the content. During Ben Tidswell's period as Interim Chair of the Board, Ben contributed to a review which saw the Board & Committee Report Guidance, along with Board templates, revised and refined to ensure that Directors received timely, clear and pertinent information. There is also a dedicated slot on each Board agenda for Directors to provide comments on papers.

The Board is also responsible for considering reports under the 'Speak Up' policy. This provides for a number of reporting routes – including by phone, secure online portal, via an independent provider, as well as recognising that external reporting and investigation may be appropriate. The Non-Executive Director ("NED") Speak Up Champion ensures that a positive speak up culture is proactively encouraged throughout the Post Office and that the arrangements are challenged and assessed for areas of continuous improvement and best practice. The NED Speak Up Champion is also an additional point of escalation for feedback or concerns raised about the Speak Up function.

In setting the risk appetite for the Post Office, the Board has established a framework to manage and mitigate risk. The Board takes guidance from its ARC and has oversight of risk management. The ARC receives reports from the Compliance Director, the Director of Internal Audit and Risk Management, and the Legal Director, as well as from operational management and the External Auditors. Further detailed information on the management of risk within the Post Office, together with identification of enterprise risks and their impacts, can be found in the Management of Risk section on pages 52 to 57.

Under the Articles of Association, and in line with the provisions of the Companies Act 2006, the Company Secretary's appointment and removal is a matter for the Board. All Directors have an open channel of communication with the Company Secretary, who is responsible for advising the Board on corporate governance matters.

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Key focus of the Board in 2022/23

During 2022/23, the Board remained focused on the successful delivery of the strategic vision for 2025 and three key priorities for 2022/23 in support of that vision:

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

The priorities seek to address past failures as well as setting the Post Office and Postmasters up for future success. The priorities are interconnected and together aim to deliver positive outcomes for the Post Office, Postmasters, the Shareholder and wider stakeholders.

Rebuilding Trust

The Board ensured that the Post Office remained acutely aware of, and attentive to, the work needed to attempt to rebuild trust following the Horizon IT scandal and the indescribable harm caused. The focus has been on continuing to support the POHIT Inquiry along with the delivery of fair compensation and remediation to Postmasters.

More widely, the Board continued to oversee the delivery of the necessary operational and cultural changes in support of the early learnings emerging from the evidence given to the POHIT Inquiry and to address the Common Issues, Horizon Issues and Hamilton judgements*. Board members, along with members of the GE, the Senior Leadership Population ("SLP"), and wider business, regularly attended hearings of the POHIT Inquiry to demonstrate support for the work of the Inquiry and the Post Office's engagement. Periodic as well as ad hoc updates in relation to the POHIT Inquiry, compensation and remediation were provided to the Board, GE and SLP, as well as wider updates to the business.

The Post Office continues to work with the Shareholder and UKGI to deliver compensation to eligible claimants who have suffered as a result of past Horizon-related and wider remediation issues to ensure that progress is made across all compensation areas. The Board approved the move to a remediation-based compensation approach for Overturned Convictions with a view to delivering more efficient, timely and Postmaster-centric outcomes; it also endorsed the payment of Postmaster suspension remuneration, in line with the Common Issues Judgment.

The Directors acknowledged that as the Post Office continued to review its previous policies and processes, further associated liabilities might arise - this is covered in more detail in the Management of Risk section on pages 52 to 57. In particular, the Post Office, together with Government, reviewed the tax treatment of compensation received by Postmasters in the HSS and SRR to ensure that Postmasters were not paying more tax than they should as a result of receiving compensation as lump sum payments. This review was not required in relation to compensation payments for Overturned Convictions, as this scheme was determined to be exempt from tax. Further detail on compensation and remediation work undertaken during the year is provided under the work of the Remediation Committee on pages 32 and 33.

The Post Office received feedback that some Postmasters considered the use of the term "historical" to be inappropriate and offensive insofar as it suggested the suffering of Postmasters affected by the Horizon scandal was in the past. The Post Office acknowledged its deep regret for any further distress caused to any Postmaster as a result of the use of this term and has changed the terminology.

*Bates v Post Office judgment 3 common issues, Bates -v- Post Office judgment, Hamilton -v- Post Office summary (judiciary.uk)

UKGI00044323

The Post Office continues to build on the progress already delivered in 2022/23, to enable it to comply with the findings of the Common Issues, Horizon Issues and the Hamilton judgments. The Post Office is committed to developing a successful modern franchise that runs in partnership with Postmasters and others. This will entail cultural change, not just changes to systems and processes.

During the year, there was a continued focus on improving the support provided to, and engagement with, Postmasters, including:

- Running virtual and face-to-face Postmaster events to update Postmasters on performance, future strategy and new initiatives and the support available to Postmasters in the day to day running of their businesses;
- Providing remuneration increases through enhancements to product-related fees as well as one-off payments to assist with the cost-of-living crisis;
- Improving training, with longer classroom training sessions and increased materials available via an online platform, Branch Hub;
- Establishing a new field support structure comprising 12 regions, and relaunching forums with Postmasters in each of these regions, providing an opportunity to listen and share business updates, as well as best practice as peers on a monthly basis;
- Launching a new Perfect Day initiative, providing an opportunity for Senior Leaders to visit branches and make sure that Postmasters have everything they need to run a successful Christmas campaign;
- Continuing the 'Adopt an Area' initiative for Senior Leaders to visit and listen to Postmasters on a regular basis;
- Focusing on recruitment and reviewing the target operating model, significantly improving the support provided to branches via the Branch Support Centre, with more calls answered overall and average waiting times greatly reduced;
- Continuing in-branch Christmas support, helping Post Office's employees to appreciate the demands of running a Post Office, while also providing much-needed additional resource during the peak period;
- Running a Postmaster research survey (externally facilitated by Quadrangle), completed by just under 1,650 Postmasters and providing useful insight into overall Postmaster sentiment and priority areas for focus over the coming year;
- Running mandatory training for all Post Office employees on the Group Litigation Order ("GLO"), raising employee awareness and providing an opportunity to learn from the past; and
- Raising awareness of Post Office's Speak Up policy and encouraging Postmasters to use it, if ever required.

Improving Branch Profitability

The backdrop of increasing cost-of-living pressures for all brought the need to improve branch profitability into sharp focus, where Postmasters were no exception to those challenges.

During 2022/23, the Board scrutinised the Post Office's commitment to growing sales, taking out costs at the centre and seeking to reduce Postmasters' costs in running their Post Offices. Additional remuneration benefits for Postmasters were approved by the Board and announced in August 2022 and were well received.

Branch 'MOTs' were launched by the Post Office in Q4 2022 and delivered to a number of Post Offices. The goal of this scheme is to ensure Postmasters can not only run successful Post Offices, but thriving retail businesses within local communities too. Enhanced abilities to interrogate remuneration data have been added to Branch Hub which allows Postmasters to extract insights on individual product performance and identify opportunities.

Transforming Technology

Work under the programme to replace Horizon with a new branch IT system continued to be progressed during

UKGI00044323

2022/23. The imperatives at play include both learning lessons from the past and ensuring any replacement or new technologies are reliable, simple and intuitive to use. Deep dives into progress with Drop and Collect and the proposed roll-out of the Horizon replacement were provided to the Board during the year. The Board took decisions in relation to a number of issues touching on transforming technology, including the Horizon replacement programme funding and procurement and funding for application modernisation.

The POHIT Inquiry Phase 2 hearings prompted reflection on what would be required in relation to the design and roll-out of a replacement to the Horizon system, particularly in relation to the training provided to Postmasters and their staff, to ensure that the lessons were learned and acted on. The Board was provided with a deep dive into the proposed training approach and the support to be provided to Postmasters in relation to the Horizon replacement with the intention that Postmasters are trained to deliver the virtual classroom part of the training programme.

Colleagues from within Post Office's Directly Managed Branches were seconded to the Strategic Platform Modernisation Programme (which includes the development and deployment of the Horizon replacement) on a full-time basis.

Since the year end, a number of Postmasters attended the Model Office to view progress on the Horizon replacement, and members of the Board attended the Aldwych branch to receive a demonstration of the first release of new branch IT.

As noted elsewhere in the report, including under the Directors' Remuneration Report, the Post Office is reflecting further on the priorities in relation to the replacement for the Horizon system, while Government funding is being determined.

An overview of how the Board has taken into account stakeholder interests in its discussions and decision-making is set out in the S172(1) statement at pages 35 and 36.

UKGI00044323

Board and Committee Meetings in 2022/23

During 2022/23 the Board met 12 times (including additional meetings held either in person or virtually). A record of Directors' attendance at the Board and its Committees is set out in the table below, shown as a share of the number of meetings they attended for when they were in post.

Director	Board	Board (Additional)	ARC	NomsCo	RemCo	Remediation Committee
Chair						
Henry Staunton (Note 1)	3/3	3/3	-	2/2	3/3	-
Tim Parker (Note 2)	4/4	1/1	-	4/4	5/5	-
Executive Directors						
Nick Read	8/8	4/4	-	-	-	-
Alisdair Cameron	8/8	4/4	-	-	-	-
Non-Executive Directors						
Tom Cooper	6/8	4/4	6/8	5/6	7/9	24/30
Lisa Harrington	7/8	4/4	-	5/6	9/9	-
Zarin Patel (Note 3)	6/7	4/4	7/7	-	-	25/28
Carla Stent (Note 4)	6/7	3/3	7/7	-	-	-
Saf Ismail (Note 5)	8/8	4/4	-	2/2	-	-
Elliot Jacobs (Note 6)	8/8	3/4	3/3	-	-	-
Ben Tidswell (note 7)	8/8	2/4	-	-	8/9	29/30
Brian Gaunt (Note 8)	8/8	3/4	-	-	3/4	1/2
Simon Jeffreys (Note 9)	1/1	-	1/1	-	-	-

Note 1: Henry Staunton joined the Board on 1 December 2022.
Note 2: Tim Parker stepped down from the Board on 30 September 2022.
Note 3: Zarin Patel stepped down from the Board on 13 March 2023.
Note 4: Carla Stent stepped down from the Board on 17 February 2023.
Note 5: Saf Ismail was appointed as a member of the Nominations Committee on 27 September 2022.
Note 6: Elliot Jacobs was appointed as a member of the Audit, Risk and Compliance Committee on 27 September 2022
Note 7: Ben Tidswell was interim Chair from 1 October 2022 to 30 November 2022.
Note 8: Brian Gaunt was appointed as a member of the Remuneration Committee on 27 September 2022 and a member of the Remediation Committee on 9 March 2023 (effective 14 March 2023).
Note 9: Simon Jeffreys joined the Board on 23 March 2023.

Committees

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

The Board retains overall oversight but delegates responsibilities and authorities to its committees to operate within Terms of Reference for each committee approved by the Board. The Terms of Reference for all committees are reviewed annually to assess that each committee has discharged its duties effectively in accordance with the Terms of Reference. The 2022/23 reviews raised no material issues.

The Terms of Reference for the committees, established in line with the requirements of the UKCGC, are

UKGI00044323

available on the Post Office's website.

Nominations Committee (NomsCo)

Role

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

Membership during 2022/23*

Henry Staunton, Chair From 1 December 2022, when Henry Staunton was appointed as Chair of the Board.
Lisa Harrington Interim Chair from 1 October 2022 until 30 November 2022. Until 1 June 2023, when Lisa Harrington stepped down from the Board.
Tom Cooper Until 11 May 2023, when Tom Cooper stepped down from the Board.
Saf Ismail From 27 September 2022.
Tim Parker, Chair Until 30 September 2022, when Tim Parker stepped down from the Board.

*Members who joined NomsCo in 2023/24 were: Lorna Gratton and Ben Tidswell.

The Group CEO and Group Chief People Officer also attend meetings at the invitation of the NomsCo Chair.

The work of NomsCo in 2022/23

During the year, NomsCo invested considerable time in considering Board succession matters, with Carla Stent, Zarin Patel and Lisa Harrington's term expiries approaching and Tim Parker due to step down as Chair of the Board. NomsCo approved for recommendation to the Shareholder the appointment process and role descriptions for three new Non-Executive Directors along with short-term extensions for Zarin Patel and Lisa Harrington. NomsCo also approved for recommendation to the Board the appointment of Ben Tidswell as Interim Chair for the intervening period between Tim Parker stepping down from the Board and Henry Staunton commencing. Additionally, NomsCo considered and made recommendations to the Board in respect of appointments to NomsCo, RemCo, the Remediation Committee and the ARC, given the anticipated term expiries and the need to replenish knowledge on the Board's committees.

Green Park (with the trading name of Green Park Interim & Executive Limited) was engaged as an external search consultancy to assist with the recruitment process for the three new Non-Executive Directors. Green Park is not otherwise connected with the Post Office nor with any individual directors.

Succession planning requirements for the Post Office's subsidiaries and joint venture were considered during

UKGI00044323

the 2022/23 period with the NomsCo approving appointments to the Payzone board as well as to the FRESH board.

Succession planning requirements for the Post Office's GE were also considered by the NomsCo in 2022/23, with the focus on recruiting for critical roles, improving diversity, and having the correct workforce capabilities to deliver the Post Office's strategic objectives.

The Nominations Committee approved the process for internally facilitated Board and Committee evaluations for 2022/23, reviewed and approved revisions to the Committee's Terms of Reference, noted additional external appointments as declared by Board members over the 2022/23 period and considered the results of the NomsCo Evaluation Survey for the year.

Remuneration Committee (RemCo)

Role

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

Membership during 2022/23

Lisa Harrington, Chair Until 25 May 2023, then member until 1 June 2023, when Lisa Harrington stepped down from the Board.
Henry Staunton From 1 December 2022, when Henry Staunton was appointed as Chair of the Board.
Tom Cooper Until 11 May 2023, when Tom Cooper, stepped down from the Board.
Ben Tidswell
Brian Gaunt From 27 September 2022.
Tim Parker Until 30 September 2022, when Tim Parker stepped down from the Board.

*Members who joined RemCo in 2023/24 were: Amanda Burton (as Chair) and Lorna Gratton.

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

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The work of RemCo in 2022/23

During the year, RemCo approved the calculation methodology for the 2022/23 Short Term Incentive Plan ("STIP") and the 2022-25 Long Term Incentive Plan ("LTIP"). Further, and as a result of the review undertaken by the RemCo Chair, RemCo reviewed all current incentive schemes to remove any Inquiry metric and ensure that the current STIP and LTIP schemes in place are fit for purpose.

RemCo discussed and approved the Directors' Remuneration Report for inclusion in the 2022/23 ARA, as set out in pages 39 to 48.

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

RemCo approved remuneration packages for several members of the GE. Non-Executive Director fees for 2023/24 were noted, with no changes proposed. Additionally, RemCo noted the fees and appointment of a new Chair to the Board as advised by the Shareholder.

The recommendations from the 2022/23 RemCo effectiveness review were discussed and approved during the year and RemCo's terms of reference were reviewed and updated.

Audit, Risk and Compliance Committee (ARC)

Role

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

Membership during 2022/23*

Simon Jeffreys, Chair From 23 March 2023, when Simon Jeffreys was appointed to the Board.
Tom Cooper Until 11 May 2023, when Tom Cooper stepped down from the Board.
Elliot Jacobs From 27 September 2022.
Carla Stent, Chair Until 17 February 2023, when Carla Stent stepped down from the Board.
Zarin Patel Until 13 March 2023, when Zarin Patel stepped down from the Board.

*Members who joined ARC in 2023/24 were: Lorna Gratton and Andrew Darfoor.

The Board considers that the ARC's members have broad commercial knowledge and extensive business leadership experience. The current Chair of the ARC, Simon Jeffreys, is a qualified chartered accountant, as is the previous Chair, Carla Stent, and former members during the reporting period, Zarin Patel and Tom Cooper. The Board is satisfied, therefore, that there is an appropriate mix of business and financial experience and expertise across the membership.

UKGI00044323

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

ARC members held separate meetings with the Director of Internal Audit and Risk Management and with the External Auditors without management present during the year. The internal audit function is co-sourced with Deloitte LLP and Mazars LLP. The current External Auditor, PricewaterhouseCoopers LLP ("PwC"), has been in place since 2019 following a tender. ARC has satisfied itself in relation to the independence and effectiveness of the External Auditor, including in relation to pre-approved non-audit activities. PwC has been re-appointed as auditor for 2023/24 and a procurement strategy has been approved to consider the appointment of the next External Auditor following this period.

Further detailed information on the management of risk within Post Office can be found in the Management of Risk section on pages 52 to 57.

The work of the ARC in 2022/23

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

ARC approved the annual Audit Plan 2022/23 for the Internal and External Auditors, as well as providing approval as appropriate in relation to the fees for the non-audit activity to be undertaken by the External Auditors. In the case of non-audit activity, ARC was assured that the proposed activity was permissible under the Ethical Standards applicable to Other Entities of Public Interest and that there were suitable safeguards in place to ensure the independence of the External Auditor, including the separation of teams performing the work.

During the year, ARC received an update on tax matters and approved the annual review of tax strategy. Reports were also provided at each of its scheduled meetings on compliance and risk. Two separate reports were received on legal risks. ARC received an update from the Chair of POMS ARC at each scheduled meeting.

Deep dives during the year were conducted in relation to IT Controls, Data Protection, Mails, Banking, Identity and Payzone. ARC received updates on Cyber Security and Business Continuity, alongside two updates on Remediation Matters risks and an annual AML report.

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

The following policies were reviewed and approved by ARC during the course of the year: Anti-Bribery and Corruption; Financial Crime; Whistleblowing; Anti-Money Laundering and Counter Terrorism Funding; Business Continuity Management; Procurement; HMRC Fit and Proper; Business Change Management; Conflicts of Interest; Protecting Personal Data; Employee Vetting Requirements; Postmaster Onboarding; Postmaster Training; Postmaster Complaint Handling; Network Monitoring and Branch Assurance Support; Network Cash and Stock Management; Network Transaction Corrections; Postmaster Account Support; Postmaster Accounting Dispute Resolution; Health & Safety; Treasury and the Group Risk Management Policy.

The Modern Slavery Act Transparency Statement was also approved (as required on an annual basis) for recommendation to the Board, as was the renewal of the Insurance Policies for the period 1 November 2022 to

UKGI00044323

31 October 2023.

The recommendations from the ARC effectiveness review were discussed and approved in January 2023 and the annual review of ARC's terms of reference was carried out in January 2023.

Remediation Committee

Role

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

Membership during 2022/23

Ben Tidswell, Chair
Tom Cooper Until 11 May 2023, when Tom Cooper, stepped down from the Board.
Brian Gaunt From 14 March 2023.
Zarin Patel Until 13 March 2023, when Zarin Patel stepped down from the Board.

*Members who joined the Remediation Committee in 2023/24 were: Lorna Gratton.

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

Work of the Remediation Committee in 2022/23

During the course of the year, the Remediation Committee continued to oversee the administration of the HSS, including to consider:

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

The Remediation Committee endeavoured to ensure at all times that offers received by Postmasters were fair and consistent and were issued as swiftly as possible. Applicants who were unable, for a variety of reasons and circumstances, to apply to the HSS while it was originally open, were invited to apply to the scheme from October 2022 and these late applications continue to be reviewed.

The Remediation Committee also continued to oversee and advise on the efforts to contact all potential appellants to encourage them to apply to have their convictions overturned, including where they were convicted by prosecutors other than Post Office. In accordance with the Hamilton Judgment and decision-making tools approved by the Board, the Remediation Committee decided the Post Office's stance on appeals to the Court of Appeal (Criminal Division), and Crown Court of convictions where Post Office acted as prosecutor.

UKGI00044323

The Remediation Committee continued to oversee the management of claims for compensation made by those who have had their convictions overturned, considering policies and principles that underpin how claims will be assessed, and approve for recommendation to the Board decisions that are precedent setting.

The Remediation Committee also oversaw the administration of the Stamp Scheme and the creation of a financial compensation scheme for Postmasters deemed to have suffered detriment, following a review of Post Office business practices as a result of the Common Issues and Horizon Issues judgements. During the year, the Remediation Committee oversaw the commencement of the SRR scheme to provide redress to Postmasters who did not receive remuneration during a period of suspension.

More broadly, the Remediation Committee continued to consider recommendations made by, and matters, and feedback arising out of, the POHIT Inquiry, where relevant.

Board and Committee Performance Review

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

The Board performance review for 2022/23 was facilitated internally; the performance review for 2023/24 will be conducted by way of an external evaluation.

The internal performance review for 2022/23 involved questionnaires issued to Board and Committee Members, as well as a small pool of executives who interacted regularly with the Board and Committees. The questionnaire sought to evaluate and assess performance across several areas including skills, experience and diversity, as well as leadership, ways of working, decision-making and risk management. The results of the questionnaires were presented to the Board and discussed at its meeting on 11 July 2023.

Review findings and next steps

The feedback from responses highlighted an appreciation of what the Post Office had achieved during 2022/23, being a period of continued significant challenge and scrutiny.

There was consensus that the areas of strength at the Board included:

- the continued focus on the resolution of Remediation Matters;
- the contributions of the Postmaster Non-Executive Directors, in particular, in bringing the Board closer to the day-to-day experiences of Postmasters and Post Office business; and
- the diversity and strength of skills across the Board.

Agreed areas for improvement and enhancement included a desire to:

- increase the time the Board spent on current business priorities and forward-looking strategies;
- clarify the Shareholder representative's role on the Board;
- further strengthen relationships between Non-Executive Directors and the wider GE and Senior Leadership Group; and
- improve the pace of decision-making and lessen risk-aversion, where appropriate.

The Board discussed the findings and agreed the recommendations on areas for improvement and enhancement. It agreed a number of next steps, as set out below, while noting that further opportunities to

UKGI00044323

improve effectiveness and performance would continue to be explored and would naturally present themselves over the course of 2023/24 and beyond.

Board focus:

More Board time would be spent on the future of the business, including strategy discussion and trading performance updates. The Board recognised though that a balance would need to be struck, to ensure the Board continued to monitor the progress of the POHIT Inquiry and the resolution of Remediation Matters. Nearer term steps would include providing more time under the CEO report for discussion and it was also agreed that the upcoming Board Strategy Awaydays would provide an opportunity to spend some focused time on the business strategy, not least for the benefit of the newer Non-Executive Directors.

UKGI Board role:

The role of the Shareholder representative on the Board and the implications for governance more widely would continue to be kept under review, as appropriate and against the prevailing context at the relevant time.

Board engagement:

The Board agenda would be reviewed to accommodate sessions across the different business areas and functions, providing opportunities for strengthening Non-Executive, Executive and Senior Leadership engagement and for setting the tone from the top. Non-Executive Directors would also be invited to attend the Senior Leadership Group meetings periodically, following a well-received presentation from the Chair during the year on his experience as the former Chair of WHSmith Plc, the successes that had been achieved there and his aspirations for the Post Office. The Board noted its role in relation to succession planning and agreed that a talent review and succession planning session should be scheduled.

Board decision-making:

The Board recognised that cultural change and strong management leadership and capability would be essential enablers in improving the pace of decision-making during a time of significant challenge and change. They would also be key dependencies for ensuring decisions were focused on the right things, and that a balanced view of risks was taken.

Other routine Board performance activities

More generally, the Chair takes a number of routine steps to ensure the Board is able to operate and perform effectively, including holding periodic meetings with Non-Executive Directors, without Executive Directors in attendance, undertaking an annual appraisal for the Group Chief Executive and all Non-Executive Directors and encouraging contributions from all members of the Board – Independent Non-Executive Directors, Postmaster Non-Executive Directors, the Shareholder Non-Executive Director and Executive Directors.

Led by Zarin Patel, the Senior Independent Director appointed at the time, the performance of the previous Post Office Chair, Tim Parker, was reviewed with the Non-Executive Directors meeting without the Chair present to evaluate the Chair's performance.

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

UKGI00044323

S172(1) Statement

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

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

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

An overview of the key areas of strategic and operational focus for the Board during 2022/23 is set out at pages 24 to 26. The following information sets out the broad considerations in relation to stakeholder interests that the Board has taken into account in its discussions and decision-making:

- **Postmasters** – remediating and learning the lessons from the Horizon IT scandal remains an enduring backdrop to Board discussions and provides a lens through which decision-making is tested and scrutinized;
- **Customers** – the Board considers the implications decisions will have on customers, in terms of accessibility of services, the range of services the Post Office provides and the quality of service;
- **Our people** – the Board considers the effect its decisions could have on employees, including issues relating to morale and staffing, and makes sure that workplace policies and practices are fair. The Board's oversight includes the appointment of one of the independent Non-Executive Directors, currently Amanda Burton, as 'Speak Up' Champion and its consideration of 'Speak Up' matters when required. During 2022/23, the Board was conscious of the prevailing backdrop of the challenges the Post Office continued to face as it sought to address past failings and the scrutiny it was under during this time, and remains under now. The Board considers the impact on staff and the operating environment more broadly and seeks to be assured on how staff are being supported and on their wellbeing;
- **Partners and suppliers** – the Board makes sure that the Post Office works to high standards of business conduct, with appropriate policies, governance and procedures in place for entering into and managing contracts for the supply of goods and services, together with values and standards expected when dealing with third parties. During the year, the Board also approved the Post Office's Modern Slavery Statement, a copy of which is on the Post Office corporate website. We adhered to the Payment Practices requirements, paying circa 94% of our invoices within 30 days in the first half of the financial year, and averaging paying circa 93% of our invoices within 30 days over the financial year;
- **Community and the environment** – the impact of the Post Office's operation on the community is a key consideration for the Board given the social purpose of the Post Office and the provision of services to all

UKGI00044323

members of the community. The impact of the Post Office's operation on the environment is set out in further detail in the Streamlined Energy and Carbon Reporting section on pages 58 to 61; and

- **Department for Business and Trade ("DBT")** – the Post Office is wholly owned by DBT; DBT does not have responsibility for the day-to-day running of the Post Office, however the DBT (through UKGI) monitors performance and oversees key decisions, particularly compliance with the minimum network access criteria and the provision of specified services. The Shareholder Relationship Framework Document describes certain parameters within which the Post Office is expected to operate, certain obligations with which the Post Office is expected to comply, and certain aspects of the relationship with DBT and UKGI. A Shareholder Representative Non-Executive Director sits on the Board (appointed by DBT) and also sits on all the Board sub-committees. The DBT Minister who has responsibility for the Post Office writes bi-annually to the Chair setting out the Shareholder's objectives for the Post Office and expectations on the areas of priority, and this letter is shared with the Board. The Chair and CEO meet bi-annually with the Minister and with senior officials at DBT and UKGI.

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Remuneration Committee Chair's Statement

Introduction

I am pleased to present my first Remuneration Committee Chair's statement following my appointment to the Board and as a member of the Remuneration Committee ("the Committee") in April and subsequently as Chair of the Committee in May 2023. I give thanks to my predecessor, Lisa Harrington, and welcome Henry Staunton, as Chair of Post Office, who joined the Committee in December 2022.

I would like to start by acknowledging the findings of my review of the circumstances which led to an Inquiry sub-metric in relation to support being given to the Inquiry being included in the Transformation Incentive Scheme ("TIS") as reported in last year's (2021/22) Annual Report and Accounts. My full findings can be read on the Post Office website, but in summary I found that although including an Inquiry sub-metric (one of 17) when the 2021/22 targets were first set was appropriate, there was a clear failing in that it should have been revisited as soon as it was known that the Inquiry was moving to a statutory footing. In addition, the 2021/22 annual report and accounts should have made clear that the Committee did in fact exercise its discretion in respect of the Inquiry sub-metric rather than recording that it had been achieved. This error was understandably upsetting to many Post Office stakeholders, not least our Postmasters past and present. Quite appropriately, the CEO and my predecessor have both publicly apologised for this oversight. Members of the senior leadership team and Group Executive have repaid amounts relating to the inquiry sub metric, and the CEO has since voluntarily repaid the full amount relating to all four sub-metrics grouped in the 2021/22 annual report under the heading "Inquiry", with the other three sub-metrics being associated with culture change, operational processes and the validation of the Horizon and Common Issues judgement. Further, the Committee has reviewed all current incentive schemes to remove any Inquiry metric and found the issue to be limited to the 2022/23 STIP only and therefore no award will be made in relation to that element.

In addition to my review, DBT asked Simmons and Simmons to conduct a review of the circumstances which led to the failings in the 2021/22 annual report and accounts, and Simmons and Simmons made ten recommendations for improvements in governance of the Remuneration Committee. The Remuneration Committee has accepted all ten recommendations and is taking actions to address each of these.

2022/23 key remuneration decisions

Matters considered by the Committee during the year included:

- Base salary awards for 2022/23.
- STIP metrics, targets, and awards for 2022/23 and subsequent pay-out levels
- LTIP metrics, targets, and awards for 2022-25.
- The Committee's Terms of Reference.
- Non-Executive Director fees excluding the fee for the Chair.

Having duly considered the items tabled during the year and the context, the key decisions taken by the Committee included:

- An increase in the CEO's base salary of 5% effective 1 April 2022. This is the first base salary increase awarded to the CEO since he joined Post Office in September 2019. It was also agreed with the Shareholder that there would be no salary increase for 2023/24 for the CEO.
- The outturn of the STIP 22/23 resulted in an award of 31.36% of salary for the CEO, after the application of the personal multiplier*.
- The outturn of the STIP 22/23 resulted in an award of 34.62% of salary for the CFO, after the application of the personal multiplier*.
- The STIP 2022/23 contained an Inquiry metric and a metric relating to the Horizon Shortfall Scheme (worth a combined 10% of the target STIP opportunity), which by exercise of discretion, in light of recent findings and recommendations, the Remuneration Committee decided to disregard from the assessment of overall performance, and for which there was no compensation.

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- A review of Non-Executive Director ("NED") fees, following which a decision was made not to increase NED fees.
- The Chair's fee is set by the Shareholder.

*Personal multipliers are derived from end of year performance ratings, and work to increase or decrease the calculated bonus award, based on an individual's performance rating.

Committee undertakings

In my review I made several recommendations which, with the full support of the Committee, we will implement at the earliest opportunity. These include:

- A review of all STIP and LTIP awards to consider the appropriateness of all metrics and explicitly remove any relating to the Inquiry.
- Ensuring that there is greater simplicity, transparency, and clarity in the STIP and LTIP for the benefit of all stakeholders.
- Working closely with the Shareholder on the approval process for CEO and CFO remuneration proposals and interdependent approvals (e.g., business plans) to improve efficiency and timeliness.
- A commitment that in future, discretion is exercised sparingly, only in the most extenuating of circumstances, referred to the main Board and fully disclosed in the relevant ARA, including the rationale for its use and its impact on remuneration outcomes.
- The Committee has agreed to adopt the recommendations made by Simmons and Simmons.

Since my appointment as Chair of the Remuneration Committee in May 2023 the Committee has comprised Henry Staunton, Lorna Gratton (UKGI), Ben Tidswell and Brian Gaunt. Our role is to consider and approve pay arrangements for the CEO, CFO, and other senior leaders, as applicable, within the Committee's terms of reference and seek the approval of the Shareholder where necessary. The Chief People Officer ("CPO") attends meetings by invitation as does the Committee's independent remuneration advisor and the CEO. The CEO does not attend meetings when matters relating to his own pay are discussed or where there may be a perceived conflict.

GRO

Amanda Burton
Chair of the Remuneration Committee

11 December 2023

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Directors' Remuneration Policy

Summary

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

The Post Office remuneration strategy is based on the following:

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

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

How policy aligns with the Code provisions

Clarity	This report provides a comprehensive account of the Committee's objectives and decisions over the year. We also maintain an extensive and continuous dialogue with the Shareholder on all matters related to the remuneration of our Executive Directors.
Simplicity	We aim for simplicity in the structure of remuneration and how it is communicated so that it is easy to understand for both participants and external stakeholders.
Risk	Executive Directors are subject to malus and claw back in the STIP and LTIP. This provides for the reduction or return of all or part of bonus payments in the event of misstatement of the accounts, error, gross misconduct, or instances where the Executive Director has contributed to serious reputational damage of the company, a material corporate failure or some other exceptional event. Additionally, the Committee has the absolute discretion to make adjustments, including a downward adjustment, to any bonus payment due under any scheme if it considers such adjustment to be appropriate having taken into account all relevant factors.
Predictability	As Post Office is not able to pay in shares, there is no risk of excessive gains within our incentives. The upside of incentives is capped to avoid any "windfall gains." The range of possible values of rewards to individual Executive Directors is set out in the scenario charts on page 41.
Proportionality	A meaningful portion of an Executive Director's overall total reward is linked to performance. The potential upside is in line with conservative market practice and is capped.
Alignment to Culture	Our remuneration framework includes a consideration of how individuals have demonstrated our Ways of Working. These Ways of Working are critical to our cultural transformation and underpin how we operate as a business: "working in partnership as one team".

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Executive Directors: Key elements policy

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

Element and link to strategy	Operation	Potential
Base Salary **To recruit and reward individuals based on their skills and for the responsibilities required.**	Salaries are normally reviewed on an annual basis, ordinarily in July. When determining base salary increases for Executives, the Committee takes into account: • individual capability and performance growth; • internal comparisons within POL; and • market data on comparable roles.	There is no formal cap set on salaries. Any increase in Executive Directors' salaries will typically be no more than that applied to the wider workforce and will take account of the increases in the public sector and wider market trends.
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, and health cover schemes are no longer provided to new Executive Directors. 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 participate in benefit schemes. However, now the CFO is the only remaining participating Executive as he was appointed prior to September 2019.
Pension **To provide market competitive pensions packages.**	Historically, Executive Directors received a 25% salary supplement in lieu of pension. In line with Government guidance for senior employees, any new Executive Director appointment from September 2019 has not been offered salary supplement in lieu of pension but remains entitled to participate in the Post Office Pension Scheme at the same levels of contribution as the wider workforce.	For 2022/23 the CEO has opted out of the Post Office Pension Scheme. The CFO receives a 25% salary supplement in line with previous policy.
Short-Term Incentive Plan ("STIP") **A discretionary payment to reinforce and reward improved in-year financial, operational and personal performance.**	STIP awards are made annually. The metrics and target ranges are agreed annually with the Remuneration Committee and the Shareholder, as part of the annual business and budget planning cycle. These are described in the Directors' Remuneration Report. The target STIP award is based on a business scorecard, including financial and non-financial measures. This outcome is then modified with a personal multiplier, based on individual performance objectives which are approved by the Board. Company measures are defined at Threshold, Target and Maximum payment levels.	Maximum opportunity under the STIP as % of salary for different levels of performance are as follows: **CEO:** Threshold: 24% Target: 30% Maximum: 45% **CFO:** Threshold: 32% Target: 40% Maximum: 66%
Long-Term Incentive Plan ("LTIP") **To reward and retain key executives and senior managers on the achievement of strategic longer-term targets linked to the development and growth of a sustainable business.**	LTIP grants are made annually and are paid in cash at the end of three years depending on performance against the target. LTIP performance measures include company- level financial and non-financial metrics defined at Threshold, Target and Maximum levels. There is no individual component or multiplier for the LTIP. Performance measures for the LTIP support the Post Office Strategic Plan agreed with the Shareholder. The performance targets are agreed with the Shareholder in advance of each grant and are described annually in the Directors' Remuneration Report.	Maximum opportunity under LTIP as % of salary for different levels of performance are as follows: **CEO:** Threshold: 24% Target: 30% Maximum: 43% **CFO:** Threshold: 40% Target: 50% Maximum: 70%

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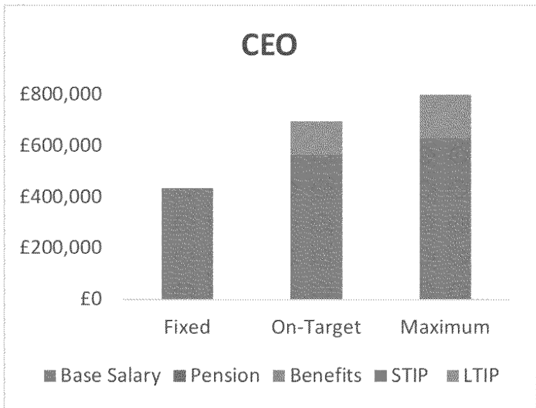
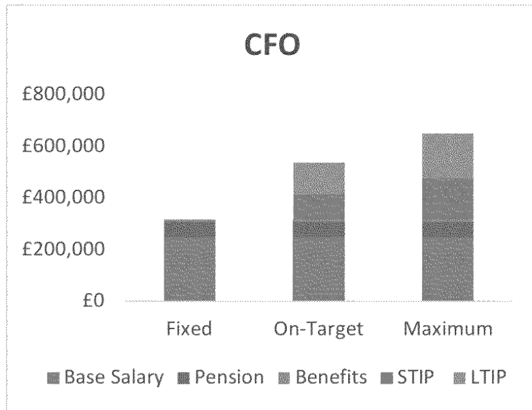
Illustrations of application of remuneration policy

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

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



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



Notes:
Base salary £244,800 plus pension and benefits of £71,682
Target STIP £97,920* and Target LTIP £122,400 – 40% and 50% respectively - total of £536,802
Maximum that can be achieved is capped at 66% on STIP and 70% on LTIP – total of £649,410

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

The policy on payment for loss of office remains as stated in last year's annual report.

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

Non-Executive Directors: Key elements of the remuneration policy

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

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

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

	2022/23	2021/22
Chair (Note 1)	£150,000	£19,300
Senior Independent NED	£5,000	£5,000
Non-Executive Directors base fee	£35,000	£35,000
Chair of Audit, Risk and Compliance Committee, Chair of Remediation Committee and Chair of Remuneration Committee additional fee	£10,000	£10,000

Note 1: The 2021/22 fee relates to Tim Parker. The 2022/23 fee relates to Henry Staunton

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

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Annual Remuneration Report (unaudited)

	Nick Read CEO		Alisdair Cameron CFO	
Financial year	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Annualised salary	436	415	245	245
Actual salary	436	415	245	245
Benefits	-	-	10	10
Cash in lieu of pension (Note 1)	-	-	61	61
Fixed remuneration total	**436**	**415**	**316**	**316**
TI scheme (Note 2)	-	123	-	73
STIP (Note 3)	137	163	85	99
LTIP (Note 4)	-	115	-	132
Variable remuneration total	**137**	**401**	**85**	**304**
Total remuneration	**573**	**816**	**401**	**620**

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 Transformation Incentive Scheme ("TIS") which was paid out in March 2022 and therefore included in the 2021/22 figures rather than in the 2020/21 figures. The 2021/22 figures have subsequently been adjusted from the 2021/22 report to reflect the amounts voluntarily repaid by the CEO and CFO respectively, of; CEO: £54,469 and CFO: £6,120.

Note 3: Pay-out of the 2022/23 STIP will be made following Board approval of the Annual Report and Accounts ("ARA"). The amounts shown above are the expected values based on all known data at the time of publishing.

Note 4: As there was no LTIP granted in 2020, there is no LTIP payment vesting in 2023. Payment in 2021/22 relates to the 2019-2022 LTIP. The award for Nick Read was pro-rated in line with his start date of 16 September 2019.

Remuneration Outcomes 2022/23

Base salaries

Salaries for individual Executive Directors are reviewed annually.

Following no increase in 2020/21 and 2021/22, the Committee proposed, and the Shareholder approved, a base salary award for Nick Read of 5% for the 2022/23 year. This is the same level of award as was made to other Senior Managers and Executives who had been in post since 1 July 2022 and had not had an in-year increase. The decision to award for the whole year rather than in July was driven in part by the fact that there had been no pay increases in 2020/21 or 2021/22.

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

2022/23 STIP

The 2022/23 STIP comprises both financial and non-financial metrics in line with the strategic priorities of the business. As already reported, the metrics that related to the Inquiry and the HSS which accounted for a combined 10% of the target opportunity were disregarded in the assessment of metric performance. The resultant 2022/23 STIP pay-out for the CEO and CFO was commensurately reduced with no compensation in lieu of this metric.

The scheme had a gateway metric (note1) of; Network Availability - 11,500 Branches (subject to any waiver from the Shareholder). Each metric has three performance levels set which correspond to Threshold, Target and Maximum pay-out levels (note 2).

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Factor	Weighting	Threshold	Target	Max	Recorded Performance
Trading profit	30%	£27m	£34m	£41m	£50m
Change Spend - costs associated with significant transformational activities which do not form part of the underlying trading of the business	10%	£237m	£232m	£217m	£203m
Inquiry	4%	-	-	-	Metric disregarded
Horizon Shortfall Scheme (HSS) - % of HSS scheme offers made by 31 December 2022 (excluding late applications and GLO related activities)	6%	-	-	-	Metric disregarded
Rebuilding Trust - % of critical & high priority funded change initiatives completed	10%	50%	75%	100%	75%
Mails Revenue	10%	£300m	£330m	£360m	£293m
Banking Revenue	10%	£211m	£234m	£258m	£236m
Horizon tactical transformation - Transition to cloud based solutions	10%	System into live testing environment	-	-	0%
Horizon counter replacement - Roll-out of new branch IT capability, linked to project milestones	10%	70%	80%	90%	23%

Company measures

Note 1: The network stood at 11,684 branches at year end.

Note 2: Payment calculated on a straight-line basis between threshold and maximum / stretch.

Note 3: The Remuneration committee decided not to award the elements of the bonus in the 2022/23 STIP specifically relating to the Inquiry and Horizon Shortfall Scheme. Therefore, in the assessment of the outturn against each metric, both metrics were disregarded and as such, a combined 10% of the bonus opportunity was removed for all participants and was not replaced with any other metric.

Note 4: Horizon tactical transformation metric; the Board decided to refocus priorities on the Horizon platform pending discussions with the Shareholder.

Individual performance

Individual performance impacts on the final award made to individuals, based on an assessment of performance against objectives. Individuals are rated from 1 to 5, with 5 being the highest level of performance. The end of year performance rating drives a personal performance multiplier, which is applied to the overall outcome of the scheme metrics.

The Chair determined a performance rating of 5 for Nick Read for 2022/23 in recognition of his effective leadership and the strong trading profit delivered for the Group. The CFO was rated 3 for his performance in year, by the CEO. This resulted in a multiplier of 1.3 for the CEO and 1.0 for the CFO.

2022/23 STIP award

Considering both Company performance against the targets outlined above, and individual performance, the Committee approved a bonus equal to £136,667.76 for the CEO and £84,739.97 for the CFO. These amounts are shown in the remuneration table on page 43.

LTIP awards vesting

There was no LTIP grant made in respect of the 3-year period 2020-2023.

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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	30%	43%	2021 - 24
CEO	30%	43%	2022 - 25
CFO	50%	70%	2021 - 24
CFO	50%	70%	2022 - 25

LTIP 2022 – 25

The Committee approved an LTIP for 2022-25. The plan aims to reward, motivate and retain senior executives for long-term sustained performance against critical measures of success.

The LTIP comprises measures which are strategic transformational measures. There is a gateway measure; there must be at least 11,500 branches (network availability) at the end of 2024/25. This requirement must be met before any LTIP award can be made.

The other measures in the plan are:

- Postmaster Promise (25% weighting)
- Customer Promise (25% weighting)
- Colleague Promise (25% weighting)
- Technology Transformation (25% weighting)

There is no individual performance measure for the LTIP.

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

Total pension entitlements

Any new Executive Director appointment from September 2019 is not offered salary supplement in lieu of pension but remains entitled to participate in the Post Office Pension Scheme at the same levels of contribution as the wider workforce. This applies to the CEO, who has chosen not to participate in the scheme in 2022/23. Historically, Executive Directors received a 25% salary supplement in lieu of pension. This still applies to the CFO under legacy contractual arrangements.

Remuneration of the CEO over time

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

Year ending	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Remuneration	544	522	619	671	718	717	475	415	816	573
Salary	250	250	250	250	255	255	415	415	415	436
TIS (% of target)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	98%	N/A
STIP (% of target)	38%	48%	77%	99%	96%	71%	32%	N/A	101%	105%
LTIP (% of target)	59%	45%	59%	62%	80%	100%	N/A	N/A	104%	N/A

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From 2014-2019 the CEO remuneration data relates to Paula Vennells.

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

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

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

CEO pay ratio

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

	Total remuneration		
2022/23	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
CEO single figure remuneration	£573,000	£573,000	£573,000
Pay ratio	20:1	17:1	11:1
Employee total pay and benefits	£28,000	£33,000	£50,000

The CEO remuneration is the total single figure remuneration for the year ended 26 March 2023.

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, accrued incentives and the default defined contribution employer pension contribution for the year ended 27 March 2022.

By way of comparison, Willis Towers Watson, Post Office's Remuneration Committee advisor, quotes the median UK CEO pay ratio in the FTSE 250 at 40:1.

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

	2020/21 P50 (median)	2021/22 P50 (median)	2022/23 P50 (median)
CEO single figure remuneration	£415,000	£816,000	£573,000
Pay ratio	12.8:1	25:1	17:1

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

Payments to past Directors

There were no payments to past Directors.

Payments for loss of office

No payments were made for loss of office in 2022/23 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.

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Annual Remuneration: Non-Executive Directors

The table below shows the remuneration of Non-Executive Directors for the year ended 26 March 2023 and the comparative figures for the year ended 27 March 2022.

Name	Annualised fees 2022/23 £	Actual fees (Note 1) 2022/23 £	Actual fees 2021/22 £
Tim Parker (Note 2)	19,230	9,615	19,230
Henry Staunton (Note 3)	150,000	50,000	-
Tom Cooper (Note 4)	-	-	-
Lisa Harrington (Note 5)	45,000	45,000	36,855
Carla Stent (Note 6)	45,000	39,777	45,000
Zarin Patel (Note 7)	40,000	38,065	35,914
Saf Ismail (Note 8)	35,000	35,000	32,083
Elliot Jacobs (Note 9)	35,000	35,000	32,083
Ben Tidswell (Note 10)	50,000	46,667	30,605
Brian Gaunt (Note 11)	35,000	35,000	8,750
Simon Jeffreys (Note 12)	45,000	7,366	-

Note 1: The actual fees are shown as at 26 March 2023 or at the date of leaving.

Note 2: Donates the after-tax value of his Board fees to charity. Stood down as Chair on 30 September 2022.

Note 3: Joined the Board as Chair on 1 December 2022.

Note 4: Tom Cooper is an employee of UK Government Investments Limited ("UKGI") and received no NED fee from Post Office.

Note 5: Appointed as Non-Executive Director on 8 April 2020 and as Remuneration Committee Chair on 26 January 2022. Stood down from the Board on 1 June 2023.

Note 6: Stood down from the Board on 17 February 2023.

Note 7: Appointed as Non-Executive on 26 November 2019. Appointed as Senior Independent Director on 26 January 2022. Stood down from the Board on 13 March 2023.

Note 8: Appointed as Non-Executive Director on 3 June 2021.

Note 9: Appointed as Non-Executive Director on 3 June 2021.

Note 10: Appointed as Non-Executive Director on 27 July 2021 (fee of £35k pa upon appointment). Chair of Remediation Committee since it first met on 26 August 2021 (additional annual fee of £10k pa). Senior Independent Director from 14 March 2023 (additional annual fee of £5k pa, pro-rata from March). Interim Chair between 1st October and 30th November 2022 (supplement paid for 2 months to reflect additional responsibility)

Note 11: Appointed as Non-Executive Director on 25 January 2022 and. Joined the Remuneration Committee27 September 2022 . Member of the Remediation Committee since 14 March 2023.

Note 12: Appointed as Non-Executive Director on 23 March 2023 and is Chair of the Audit, Risk and Compliance Committee. Fees paid from 2 February 2023 to facilitate the onboarding process, in line with the letter of appointment.

Service Contracts

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

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

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

Name	Date of joining the board	Date of leaving the board	Notice Period
Tim Parker	1 October 2015	30 September 2022	6 months
Henry Staunton	1 December 2022		6 months
Tom Cooper	27 March 2018	11 May 2023	N/A
Carla Stent	21 January 2016	17 February 2023	6 months
Zarin Patel	26 November 2019	13 March 2023	6 months
Lisa Harrington	8 April 2020	1 June 2023	6 months
Elliot Jacobs	03 June 2021		6 months
Saf Ismail	03 June 2021		6 months
Ben Tidswell	27 July 2021		6 months
Brian Gaunt	25 January 2022		6 months
Simon Jeffreys	23 March 2023		6 months

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

GRO

Amanda Burton
Chair of the Remuneration Committee

11 December 2023

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Equity, Diversity & Inclusion

Creating a culture where everyone feels they belong is fundamental and goes beyond setting Equity, Diversity & Inclusion ("ED&I") targets or stretching ourselves to meet and exceed them. We must ensure that our inclusive approach is upheld in full throughout the business and that anything contrary to this is called out and addressed. An investigation has taken place and a report provided to an external ethics advisor to review. The investigation was about the discovery of racist and offensive terminology within an historical document discovered within Post Office files. The investigation commenced in May 2023 to seek to establish why Post Office had this offensive terminology in a retained document, why identity codes were used in Post Office, and over what time period they were used. We commit to fully consider any recommendations made and confirm that the offensive term has not been used in Post Office since around 2016. We do not tolerate racism, discrimination or harassment of any kind, and the language used in the document is completely abhorrent and condemned by today's Post Office. As we champion ED&I, we must address any issues of this kind, ensuring that Post Office is a workplace where everyone feels welcome and can thrive to their full potential.

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

Equity, Diversity and Inclusion Policy

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

ED&I Targets

The GE has agreed challenging gender and ethnicity diversity targets for the overall workforce and specifically for Senior Management to reflect the communities that we serve. Our aspiration is that we will have a Leadership team which is 50% female and 14% Diverse Ethnic Background ("DEB") by 2024 at levels up to Senior Leadership Population ("SLP"). We also understand the challenges that we face at GE level, as shown in the table below, and will ensure that representation continues to be a commitment but extend the same targets to 2025. Our performance against our targets was mixed, but showed some positive changes which is encouraging. Summary data is shown in the table below:

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

* Graduate data not disclosed due to small population numbers to respect confidentiality of personal data shared.
**Data taken from snapshot of P12 performance information as at 2 May 2023.

Whilst progress is gradual, we believe that we are now seeing the impact of our efforts in building a more diverse slate of candidates at the recruitment stage by challenging recruiters to provide balanced shortlists, and in neutralising the language in job advertisements to remove any type of unconscious/subconscious gender or

UKGI00044323

race bias. With regard to internal promotions, over the 12 months leading up to April 2023, 55% of internal promotions into management level positions were women, and 18% were DEB employees. Our particular focus going forward will be promotions into the SLP and GE as there is still a significant gap between our overall figures and our representation at the most senior level.

Our activity in 22/23

Inclusion Playbook – we released the 'Inclusion Playbook', a 20 page booklet and supporting training aimed at people managers. This book was written as a practical guide for people managers to build and maintain inclusive teams.

Talent Management and Career Development – in 2022, we appointed a new Talent Manager who joined us as a senior hire, bringing valuable additional expertise to support managers in identifying and developing diverse high-potential talent.

ED&I Survey – we ran an ED&I survey for the second time in June 2022 to capture insights and feedback from our colleagues on their everyday experiences at the Post Office and to help us identify priorities for future action. The results against some of the key questions is shown below:

Question	Percentage agreeing	Women	DEB
	June 2022 (vs. June 2021)		
I feel included in my team	81% (+3)	86% (+6)	81% (+14)
My manager does what they can to drive the ED&I agenda (2021) / My manager believes in Diversity and Inclusion (2022)*	71% (-11)	73% (-6)	68% (+3)
Post Office has diverse representation of background and identities across all levels in the organisation	61% (0)	62% (+4)	53% (+6)
Post Office is a diverse organisation to work in	73% (-3)	75% (0)	72% (+1)
When I speak up at work, my opinion is valued	61% (+1)	64% (+2)	60% (+11)

* The 'Manager Engagement' question has been slightly changed between 2021 and 2022, results from both questions have been included.

"Let's talk about…" – We received some positive feedback from the "Let's talk about Race" sessions and as a result we have continued with our 'Let's Talk About' series, in these 'managed conversations' we encourage two or three colleagues to share their personal stories on a specific topic. We have covered a wide range of subjects including growing up black, wearing a burka, menopause, social mobility and women's health.

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

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

Information and Understanding – We maintain a Diversity Dashboard which presents a clear picture across our whole workforce, our leadership team, promotions and new hires. We published our 2022 Equality Pay Gap report in April 2023. The pay gap is a measure of the difference in the average pay of men and women, or people from ethnic minorities across our entire organisation, regardless of the nature or level of their work. Our gender pay gap showed a consistent result to last year remaining at 16%. Our overall mean ethnicity pay gap is 11%, slightly down from 12% in 2021. Our pay gaps reflect the lack of diversity at senior levels in our organisation. We encourage you to read our full Diversity Pay Gap report on our website for more information.

Looking forward

Achieving our goals of creating a truly inclusive workforce, including improving our representation of women and DEB employees at senior levels, requires sustained commitment and continuous action. Our main focuses for 2023/24 will be:

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- Engaging an external ED&I consultant who will conduct a deep-dive analysis into ED&I at Post Office and provide us with a maturity model, feedback on what we are doing well and our areas of opportunity including a plan on how to improve;
- Defining our strategic ambitions for ED&I, providing clarity on roles and responsibilities across the organisation and articulating our measures of success; and
- Focusing on those areas that will make a tangible difference to our representation at Senior Leadership levels since we need to accelerate our progress in this respect. This will primarily relate to:
    - Recruitment: promoting more diverse job boards and reviewing our end-to-end selection and assessment process.
    - Talent development: improving talent identification and offering development programmes aimed at improving representation of underrepresented groups.

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

UKGI00044323

Management of Risk

Overview and Culture

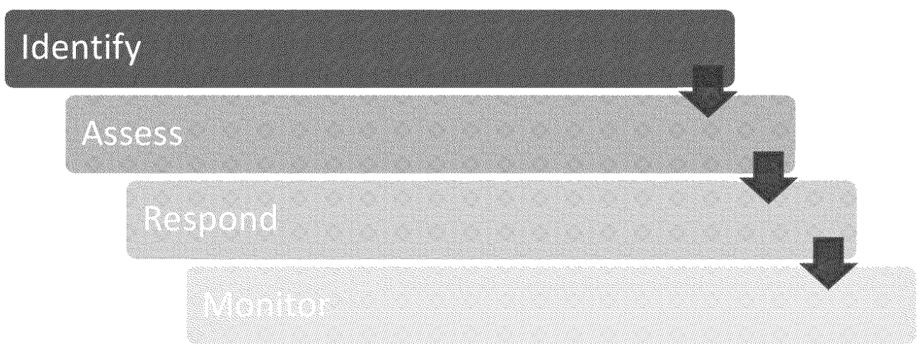
Post Office is, and will continue to be, exposed to many sources of risk as a result of its various activities and the external environment in which it operates.

Effective risk management, underpinned by a good risk culture, is critical to our success. We comprehensively identify and assess risks, agree our risk appetite for those risks, and then manage them accordingly. When assessing risks and deciding on the appropriate response, we consider the potential impacts on our key stakeholders.

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

Our Risk Management Framework

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



Identify Risks

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

Assess

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

Respond

- Agreeing proportionate actions to manage the identified risks
- Ensuring control measures are in place

Monitor

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

UKGI00044323

Risk Monitoring Responsibilities

Board and Audit, Risk & Compliance Committee

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

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

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

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

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

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

First-Line Functions

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

Second-Line Oversight Function

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

Third-Line Internal Audit Function

Internal Audit, which operates independently of first and second-line functions, is the third-line of defence. It provides an independent evaluation of the adequacy and effectiveness of Post Office's framework of governance, risk management and controls.

UKGI00044323

Our Control Framework

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

Risk Appetite

The Board carefully sets its appetite for the risk it is willing to take against the Post Office's annual priorities, which are: i) Rebuilding Trust; ii) Improving Branch Profitability; iii) Transforming Technology. Risk appetite statements are reviewed by the GE risk owners, RCC and ARC, before being approved by the Board.

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

Risk appetite can and will change over time, sometimes rapidly, as economic and business environment conditions change, and therefore risk appetite statements are reviewed on a regular basis. Key risks outside of appetite are reported regularly to the GE, RCC, ARC and the Board, to ensure that they receive appropriate focus, to monitor progress of remediation to bring risks back into appetite or to accept the risk being outside appetite and monitor the position.

Current Risk Environment

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

The maturity of risk management across Post Office is steadily improving as a result of improved engagement across the business, supported by the introduction of Risk Appetite Statements. Risk Appetite Statements are now enabling the first-line function to understand and measure the risk exposure, make informed risk-based decisions, and allocate appropriate resources to manage risk.

Key Risks and Uncertainties

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

The Group's key risks are set out in a table in the following pages, together with examples of mitigations. These risks have been reported against our priorities for 2022/23, which are:

- Rebuilding Trust – remedying the past;
- Improving Branch Profitability – growing for the present; and
- Transforming Technology – changing for the future.

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

UKGI00044323

Security

Risk Description: We fail to prevent unauthorised and/or inappropriate access to Post Office systems, potentially exposing confidential data and a loss of service for Postmasters, Post Office employees and our customers.

Key Risks	Examples of Mitigations
• Inability to protect our service from unauthorised access, including cyberattacks. • Inability to recover sensitive data and service following unauthorised access to systems and data.	• Carried out an assessment of our Security Maturity to baseline and improve against. • Ransomware training ensures the business is ready to react in the event of a ransomware attack. • Ongoing phishing exercises in place to ensure colleagues across the business are aware of the dangers and signs to be vigilant in the event of a genuine phishing attack. • Continued vulnerability scanning to identify areas which may have weak cyber protection.

Finance

Risk Description: We fail to effectively manage the business finances in accordance with our requirements and financial constraints, potentially leading to a loss of investment from the Shareholder, ability to operate a financially viable business and successfully deliver the annual priorities.

Key Risks	Examples of Mitigations
• Breach of our financial covenants for borrowing facilities. • Investment obtained from our shareholder is reduced or withdrawn. • Inability to achieve the annual priorities.	• Working with our shareholder to ensure the business has access to sufficient funding. • Re-prioritising spending as required. • Implementing cost reduction strategies as required.

Information

Risk Description: We fail to maintain robust, suitable and appropriate data/information and to exploit data/information to its full potential, potentially leading to unreliable data, non-compliance with legal obligations and impacting the trust of Postmasters and Post Office employees.

Key Risks	Examples of Mitigations
• Inability to store and protect hard copy personal or other confidential information across branches and administrative locations in a structured manner. • Inability to store and protect electronic information across multiple systems in a structured manner. • Failure to disclose in a complete and timely manner such information requested by the POHIT Inquiry.	• Rolled out a group wide Data Governance Framework which lays out the foundations for data governance (data ownership, data quality, data cataloguing). • Implemented enhanced disclosure processes to support information requests from the POHIT Inquiry.

Governance

Risk Description: We fail to adequately define, communicate, educate and enforce in relation to accountabilities and responsibilities at an operational governance level at Post Office potentially reducing transparency of decision making at a corporate governance and operational governance level, leading to a lack of trust and confidence from Postmasters, Post Office employees and the Shareholder.

Key Risks	Examples of Mitigations
• Inability to demonstrate compliance with appropriate corporate governance standards. • Ineffective decision making. • Failure to detect or prevent errors in our reporting or external communications.	• Introducing a new role of Chief of Staff to define operational level accountabilities and review effectiveness of strategic operational level governance forums. • Post Office has commissioned external governance to assess for Post Office's compliance with appropriate standards of governance to improve efficiency and transparency of decision-making.

UKGI00044323

Technology	
Risk Description: We fail to provide robust technology across our branches and administrative sites, potentially causing service disruption to our Postmasters, customers and Post Office employees and non-compliance with legal obligations.	
Key Risks	**Examples of Mitigations**
• Inability to replace the Horizon point of sales system. • Inability to support and maintain elements of the Horizon system. • Inability to recover our IT systems and data during a service outage.	• Programme underway to replace our point of sales system. • Ongoing assessment of legacy hardware and software components. • Scheduled plan in place to carry out regular disaster recovery testing with our core suppliers.

People	
Risk Description: We are unable to attract, retain, recognise and reward people commensurate with the workload, pressure and stress, across our workforce, which adversely impact Postmasters and Post Office employees.	
Key Risks	**Examples of Mitigations**
• Adverse impact on people's wellbeing. • Loss of corporate knowledge. • Ineffective management of the tax status of our contingent workforce.	• Employee engagement survey results are analysed, and actions implemented where necessary. • Confidential 'speak up' portal available for all colleagues. • The launch of the Equity, Diversity and Inclusion hub. • The launch of a workplace wellbeing campaign, providing support and advice on healthy body, healthy mind, healthy work and healthy life. • Enhanced contract system in place to provide visibility of individuals' employment status.

Operational	
Risk Description: We fail to ensure that our Postmasters have the service and support required to operate an effective service, potentially leading to a decrease in customer satisfaction.	
Key Risks	**Examples of Mitigations**
• Inability to identify, investigate and resolve discrepancies in the network. • Inability to rebuild trust with Postmasters.	• Enhanced support provided to Postmasters to identify, understand and resolve branch discrepancies. • Annual Postmaster research survey carried out to prioritise activity and focus on areas where we need to support Postmasters more. • Continued improvements to the support we provide to Postmasters across training, onboarding and central support.

Commercial	
Risk Description: We fail to identify new commercial opportunities and to effectively manage commercial partnerships, supply chains, contractual requirements, changing consumer preferences and banking requirements, potentially leading to the withdrawal of products and services.	
Key Risks	**Examples of Mitigations**
• Long-term commercial sustainability of the Post Office. • Increased financial crime through our branch network. • Limited ability to influence commercial relationships. • Failure to effectively manage commercial contracts and third-party relationships.	• Continue to explore new opportunities from a brand and customer perspective, and new developments within the digital space. • Building relations with other mail carriers and introducing alternative parcel options for customers. • Capacity increased within the commercial contracts team and material contracts are reviewed to ensure obligations are being met.

UKGI00044323

Legal	
Risk Description: We fail to meet current, changing or new regulatory and legislative expectations, potentially leading to liability or other loss or failure to take appropriate measures to protect Postmasters, Post Office employees and our customers.	
Key Risks	**Examples of Mitigations**
• Failure to maintain confidentiality and preserve legal privilege. • Inability to ensure we have sufficient resource within our legal team and an adequate level of legal maturity across Post Office. • Inability to perform assurance activities to ensure compliance with legislation and regulations.	• Annual mandatory training in place across the business to ensure we remain compliant with relevant legislation and regulations. • Legal intranet site providing guidance to colleagues across the business. • Secure legal external resources for advice to support demand from the business. • Regular compliance reviews are in place. • Regular engagement with the Information Commissioner's Office ensuring that the Post Office is following the correct advice and guidance. • Group Assurance & Compliance Functions complete assurance activities prioritising inherently high risk areas across Post Office.
Reputation	
Risk Description: We fail to protect the future reputation of Post Office potentially leading to decline in customer base, reduced revenue, decreased shareholder value, causing service disruption to our Postmasters, customers and Post Office employees.	
Key Risks	**Examples of Mitigations**
• Lack of public trust due to historical issues.	Frequently monitor brand tracking to understand the impact on customer perceptions and impact to brand trust, plus media relations and marketing demonstrating relevance of today's Post Office.

UKGI00044323

Streamlined Energy & Carbon Reporting

This report summarises the energy usage, associated emissions, energy efficiency actions and energy performance of Post Office Limited for the data reporting year, being 29 March 2022 to 31 March 2023, under the Government policy on Streamlined Energy & Carbon Reporting ("SECR"), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. It also summarises the methodologies utilised for all calculations related to the elements reported under Energy & Carbon. The operational boundary for the reporting has been set to qualification criteria. Under the SECR legislation, we are mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent financial year.

SECR Reporting Year 4 - Post Office Limited's Scope 1 and 3 direct emissions (combustion of natural gas and transportation fuels) for this year of reporting are 4,809.08 (2022: 4,829.16) tCO_2e, resulting from the direct combustion of 22,121,700 (2022: 22,712,273) kWh of fuel. This represents a carbon reduction of 0.42% from last year.

Scope 2 indirect emissions (purchased electricity) for this year of reporting are 2,061.81 (2022: 2,154.99) tCO_2e, resulting from the consumption of 10,661,977 (2022: 10,149,233) kWh of electricity purchased and consumed in day-to-day business operations. This represents a carbon reduction of 4.32% from last year.

Our operations have an intensity metric of 2.02 (2022: 2.11) tCO_2e per full-time equivalent ("FTE") employee headcount for this reporting year. This represents a reduction in the operational carbon intensity of 4.27% from our previous reporting year.

Consumption (kWh) and Greenhouse Gas emissions (tCO_2e) totals

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

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

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

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

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UKGI00044323

Utility and Scope	2022/23 Consumption (kWh)	2021/22 Consumption (kWh)
Gaseous and other fuels (Scope 1)	8,771,777	10,207,452
Transportation: Mobile Post Office ("MPO") Fleet (Scope 1)	1,213,533	1,294,858
Transportation: CIT Fleet (Scope 1)	9,422,241	9,712,863
Transportation: Company Car Fleet (Scope 1)	1,801,324	1,063,773
Grid-Supplied Electricity (Scope 2)	10,590,906	10,149,233
Transportation (Scope 2)	71,071	N/A
Transportation: Grey Fleet (Scope 3) *	912,825	433,327
Total	**32,783,677**	**32,861,506**

* Includes personal vehicles purchased through a benefit scheme provided to employees that also incur business mileage.

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 reporting methodology section.

Utility and Scope	2022/23 (tCO_2e)	2021/22 (tCO_2e)
Gaseous and other fuels (Scope 1)	1,601.20	1,869.60
Transportation: MPO Fleet (Scope 1)	292.64	306.70
Transportation: CIT Fleet (Scope 1)	2,272.17	2,300.59
Transportation: Company Car Fleet (Scope 1)	429.05	250.90
Grid-Supplied Electricity (Scope 2)	2,048.07	2,154.99
Transportation (Scope 2)	13.74	N/A
Transportation: Grey Fleet (Scope 3) *	214.02	101.37
Total	**6,870.90**	**6,984.15**

* Includes personal vehicles purchased through a benefit scheme provided to employees that also incur business mileage.

Intensity Metric

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

Intensity Metric	2022/23 Intensity Metric	2021/22 Intensity Metric
tCO_2e / FTE	2.02	2.11

FTE **(2022/23 - 3,395)** (2021/22 - 3,303)

UKGI00044323

Energy efficiency improvements

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

Measures ongoing and undertaken through 2022/23

Staff Engagement Programme

With staff returning to offices through the reporting year, the staff engagement programme has been maintained, with increased emphasis on ensuring the efficient operation of equipment through the properties when occupied. This has included guidance for staff and additional visual aids to encourage efficient habits to be formed. Post Office Limited has also consolidated the building portfolio of the business, reducing the amount of space requiring energy usage for operation, with hybrid working becoming more normal across the operations of the business.

Equipment Replacement Policy

Post Office Limited has continued the enforcement of replacement policies ensuring that installed heating and lighting plant is of the most efficient standard. This includes the replacement of fluorescent lighting with LED equivalents, in addition to efficiency standards of replacement boiler plant when this is required by the business. Lighting controls such as motion sensors are also installed as standard throughout the main office spaces for Post Office Limited, ensuring that lighting is only operational when spaces are occupied.

Renewable Procurement Policy

Post Office Limited has maintained the renewable electricity procurement policy in place across the business, ensuring that where the responsibility of directly purchasing electricity is with the business, this is through a renewable generation source. This supports the business goals of overall carbon reduction and will continue in future energy purchasing for the business.

Driver Engagement Programme

Post Office Limited continued, through the reporting year, the reviews of telematics data and driver scoring for periodic reporting for the business. This data reviews driver habits (such as braking and idling time) and identifies areas in which driver training reviews may be required in order to maintain good practices in the operation of the vehicle fleet. These installations continue to positively impact the business and have become a standard installation in Post Office Limited vehicles.

Electric and Hybrid Vehicle Implementation

At the start of the year, Post Office Limited relaunched its company car schemes with a focus on transitioning drivers out of diesel cars and, as far as possible, into electric vehicles (EVs). Pure internal combustion engine ("ICE") vehicles were removed from the vehicle choice options, with only EVs and mild-hybrids available for order. Approximately 60% of the company cars in fleet are electric and mild-hybrids. The business aspires to increase the ratio of EVs on the company car fleet further and continues to encourage the uptake of EVs with its employees. The number of Euro 6 rated vehicles in the cash in transit ("CIT") fleet remained static during the year as no new vehicles were introduced. However, six further Euro 6 vehicles were being prepared at the end of the year and will be introduced to the fleet during 2023/24, increasing the proportion of vehicles at Euro 6 standard from 32% to 35%. The business has also procured its first fully electric commercial vehicles, with 3 Ford E-Transits due to enter service in 2023/24 as mobile Post Office branches following carriage conversion.

UKGI00044323

Measures prioritised for implementation in 2023/24

Office Space Consolidation

Throughout the 2021/22 reporting year, office space requirements were evaluated by Post Office Limited. As a result of a change to working habits following the pandemic, it was determined that a smaller office space would be suitable to house the office operations of the business. To this end, in 2023/24, Post Office Limited relocated the operations of one of the larger office spaces in London (Finsbury Dials) to a smaller space (Wood Street). It is expected that this will positively impact on the resulting emissions from office operations.

Maintenance Visit Policy

Post Office Limited will continue to work with outsourced maintenance teams for the portfolio moving forwards in order to reduce the travel required to conduct a number of maintenance visits at a single site. Combining a number of maintenance tasks required at a single site and conducting these in a single visit will have a positive impact on the emissions associated with these journeys in the supply chain of Post Office Limited.

Supply Chain Review

Post Office Limited will look to take the initial review performed in 2022/23 of the supply chain and the associated emissions of those operations and enhance them in 2023/24. This exercise will support in the production of a full carbon footprint for the business, enabling Post Office Limited to demonstrate the results of efforts to reduce emissions across all operations, including those where Post Office Limited does not have direct control. The increase in the scope of emissions reporting for the business will also support the Net Zero goals for Post Office Limited and impending additional reporting requirements such as the Task Force for Climate Related Financial Disclosures ("TCFD").

Reporting Methodology

This report (including the Scope 1, 2 and 3 consumption and CO2e emissions data) has been developed and calculated using the GHG Protocol – a Corporate Accounting and Reporting Standard (World Business Council for Sustainable Development and World Resources Institute, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019a); and Environmental Reporting Guidelines: including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019). Government Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value ("CV") and kgCO2e emissions factors relevant for reporting period 29 March 2022 to 31 March 2023. Billing data is collated and analysed across the period 01 April 2022 to 31 March 2023.

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 9.4% of reported consumption (2022: 13.9%).

For properties where Post Office Limited is indirectly responsible for utilities, 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 90 electricity supplies and 91 gas supplies (2022: 104 electricity supplies and 108 gas supplies) for Post Office Limited.

UKGI00044323

Directors' Report

The Directors present the Group Annual Report and Financial Statements and Company Financial Statements for the year ended 26 March 2023.

Expected future developments

Expected future developments are detailed in the Chief Executive's statement on pages 5 to 7.

Stakeholder Engagement

Details of stakeholder engagement is included in the S172(1) statement on page 35 and 36 and the Remuneration Committee Chair's Statement on page 37 to 38.

Corporate Governance

Details of corporate governance are included in the Corporate Governance Overview 2022/23 on page 17 to 18.

Results and dividends

The loss after tax for the year was £76 million (2022: £130 million loss). The Directors do not recommend the payment of a dividend (2022: £nil).

Share issues

There was no share issue during the year (2022: two ordinary shares of £1 were issued in return for £125 million); see note 19 to the financial statements for further details.

Political contributions

No political contributions were made in the year (2022: £nil).

Research and development

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

Directors and their interests

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

A J Burton (appointed 27 April 2023)

A C J Cameron

T K G Cooper (resigned 11 May 2023)

A Darfoor (appointed 20 June 2023)

B Gaunt

L R Gratton (appointed 12 May 2023)

L C Harrington (resigned 1 June 2023)

S G Ismail

E M Jacobs

S J L Jeffreys (appointed 23 March 2023)

UKGI00044323

T C Parker (resigned 30 September 2022)

Z H Patel (resigned 13 March 2023)

N J Read

H E Staunton (appointed 1 December 2022)

C R Stent (resigned 17 February 2023)

B J Tidswell

No Director has a beneficial interest in the share capital of Post Office Limited. The emoluments of Directors are set out in note 6 to the Group financial statements and in the Remuneration Committee Chair's Statement on pages 37 to 38.

Directors' indemnity

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

People

Our people are critical to 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 and use the feedback to track progress and make improvements;
- 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 in reaching their full potential through e-learning and face-to-face training;
- 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, published in monthly dashboards;
- 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 connects and supports our LGBTQ+ community; Complexions, our race, cultural diversity and equity network; and Be You which is our disability, mental health, neurodiversity and wellbeing network;
- 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 and diverse job boards;
- Set diversity and inclusion targets of 50% women and 14% employees from a diverse ethnic background at all levels up to Senior Leadership Population by December 2024. We also understand the challenges that we face at GE level and will ensure that representation continues to be a commitment but extend targets to 2025. See the ED&I section on page 49 to 51 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;

UKGI00044323

- Before hiring new team members, line managers must undertake unconscious bias training to reduce instances of bias in the recruitment process; and
- 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 these 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 always treat everyone with dignity and respect at all times.

Disabled employees

As noted above, Post Office has been recognised as a Disability Confident Employer. 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, this includes any specific training needs.

Gender and ethnicity pay gaps

Our gender and ethnicity pay gaps are detailed in the Equity, Diversity and Inclusion section of the Remuneration Committee Chair's Report on pages 49 to 51.

Post balance sheet events

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

- Network Subsidy and Investment costs funding receipts;
- Funding for Remediation Matters and POHIT Inquiry running costs;
- Funding for the Horizon replacement programme;
- Postmaster Remediation – Post Office process review; and
- RMPP triennial valuation.

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

Going concern

Having reviewed the expected future cash flows and given careful consideration to the likelihood of the continued support of Government, the Directors are satisfied that the Group (being the group of companies headed by Post Office Limited) is expected to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern position, the Board has considered the Group's financial forecasts for the 15 months from the date of approval of these financial statements, including forecasting a severe but plausible downside scenario, and has placed significant reliance on a Letter of Support provided by its Shareholder (Department for Business and Trade, "DBT"), details of which are outlined below.

Over recent years the Group had become profitable at a trading level with trading profit peaking in 2019/20. As a result of the Covid-19 pandemic, 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 trading profits achieved by the Group in recent years have declined and continue to come under pressure. It is anticipated that this trend will continue given inflationary cost pressures, the requirement to run a network in line with Government requirements and changes in customer trends leading to a likely deterioration in trading profit over the going concern period and beyond.

The Government continues to provide investment funding, subsidy payments and working capital facilities to the

UKGI00044323

Group. However, the forecasted decline in trading profit places a renewed focus on the importance of these funding streams and the continued support of Government, with the Group unable to fund the significant investment and exceptional costs it anticipates incurring over the going concern period and beyond, which are wholly necessary to ensure the continued existence of Post Office, through profit generation.

Most notably, the costs of continuing to support the POHIT Inquiry have increased considerably since the Inquiry took on a statutory footing and the expected timescales elongated. Similarly, the operational running costs of the Remediation Matters items (including HSS, OC and SRR), to ensure the wrongs of the past are rectified, continue to rise as the schemes and activities progress and develop. Linked to these, the Group continues to progress with replacing the ageing Horizon IT system, which is a significant undertaking, both operationally and financially.

For the Group to continue to meet its liabilities as they fall due and continue to deliver on these fundamentally important activities, continued funding and support is required from the Government. Without additional funding and support being provided by the Government, to fund the exceptional and investment activities identified above, including the costs to support the POHIT Inquiry, run the Remediation Matters activities and replace the Horizon system, the Group forecasts breaching the terms of the Working Capital Facility provided by DBT. The Group forecasts breaching its Security Headroom covenant in both the base case and severe but plausible downside scenario, which is a restrictive covenant within the Working Capital Facility provided by its Shareholder, within the going concern period. Furthermore, without additional funding, the Working Capital Facility would need to be used for purposes other than that for which it was originally intended, being short term liquidity, and would also become fully exhausted, resulting in the Group being unable to meet its liabilities as they fall due.

Letter of Support

In order to ensure the Group can continue to operate, deliver on the fundamental activities described above and meet its liabilities as they fall due, the Shareholder has issued a Letter of Support indicating the Government's intention to provide additional funding and support to the Group. Subsequent to the Balance Sheet date but prior to signing these financial statements, the Shareholder has provided waivers of both the Security Headroom covenant and the usage clause of the Working Capital Facility, which will come into effect as required and remain applicable until the end of July 2024, by which time the Government intends to have provided additional funding. These waivers ensure the Group can continue to maintain access to this source of liquidity in the event that additional funding is not in place by the time breaches could occur. Government has also committed to continue to engage with the Group to assess the need for an extension to the current waiver period should that be necessary, with forecasts indicating that a breach in Security Headroom will occur in the going concern period unless additional funding beyond that outlined below is forthcoming.

Due to the nature of Government funding and the associated processes required to be completed prior to its commitment and receipt, the additional funding expected to be provided by Government, which will enable the Group to meet its liabilities as they fall due, is at varying stages of progress. Additional funding of £149 million has been approved by the Government but is not yet contractually committed. This funding is needed in part to enable Post Office to continue to operate the Remediation Matters activities and support the POHIT Inquiry, by funding the expected running costs of these activities out to March 2025 or their end date, whichever is sooner. Further funding of £103 million has been approved in principle by the Shareholder and His Majesty's Treasury ("HMT") and a referral was made in line with the Subsidy Control Act 2022 to the Subsidy Advice Unit ("SAU") of the Competition and Markets Authority ("CMA"). The SAU report was published on 7 December 2023 and there is then a statutory five-day cooling-off period in place before any contractual commitment can be made. This funding is therefore yet to be contractually committed to by Government. This further funding is required to enable the Group to continue activities in relation to the replacement of the Horizon system. Additional longer-term funding will also be required from Government in order to complete the Horizon replacement activity, but this initial funding will enable activity to continue in the short term whilst longer term plans are established.

UKGI00044323

As stated in the key accounting estimates section in note 1 of the financial statements, there remains significant estimation uncertainty over the £435 million of provisions associated with the Remediation Matters, in addition to the potential for further liabilities to arise in relation to the Post Office process review which is underway and is disclosed in the post balance sheet events review section in note 25 to the accounts. Funding agreements are in place for the OC, HSS and SRR, which are in excess of the forecasted payment levels, however, given the estimation uncertainty, there is potential for the payments to impacted individuals to exceed funding commitments, in which case additional funding from Government would be required. A funding commitment is also in place regarding potential liabilities that may arise in relation to the Post Office process review, however this is subject to the application of the Subsidy Control Act 2022, the referral process to the SAU and consideration of the SAU report, see note 25 for further details. In addition, the Shareholder recognises that the Group faces other financial risks (including certain taxation-related risks as disclosed in the contingent liabilities section in note 20 to the accounts) that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due.

Given the above, the Shareholder has provided a Letter of Support which has been relied upon by the Board when making its assessment of whether the Group remains a going concern. The letter confirms that the Shareholder intends to continue to provide financial support to the Group to enable it to meet its liabilities as they fall due for a period of not less than 15 months from the date of signing the 2022/23 financial statements.

The Shareholder's Letter of Support does not constitute a financial guarantee however, and it includes certain caveats making clear that any funding is subject to both HMT consent and the application of the Subsidy Control Act 2022, namely referral to the Subsidy Advice Unit of the CMA and consideration of the SAU's report, which is outside the control of the Group and the Shareholder. These processes have been concluded in respect of £252 million of requested funding, however, at the time of approving these financial statements this funding is not yet contractually committed by the Shareholder and required covenant waivers beyond July 2024 are not guaranteed. Whilst there is no indication that the funding and support will not be forthcoming, the absence of guaranteed committed funding and support at the date of authorisation of the financial statements represents a material uncertainty which may cast significant doubt about the Group's 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.

Independent auditors

PricewaterhouseCoopers LLP was reappointed as auditor of the Group for financial year 2023/24 by the Board on 26 September 2023.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted

UKGI00044323

Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

GRO

Nick Read
Chief Executive Officer

(GRO) 100 Wood Street, London, EC2V 7ER

11 December 2023

UKGI00044323

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 26 March 2023 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 UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 26 March 2023; 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.

UKGI00044323

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 Consolidated financial statements and note 1 to the Company financial statements concerning the Group's and the Company's ability to continue as a going concern. For the Group and Company to continue to meet their liabilities as they fall due, continued funding and support is required from the Government. Accordingly, the Directors have received written assurances from the Department for Business and Trade ('the Shareholder') of its intention to continue to support Post Office, however, these assurances do not constitute a financial guarantee, and include certain caveats making clear that any funding is subject to His Majesty's Treasury ('HMT') consent and the application of the Subsidy Control Act 2022, namely referral to the Subsidy Advice Unit ('SAU') of the Competition and Markets Authority ('CMA'), and consideration of the SAU's report, which is outside the control of the Group and the Shareholder. These processes have been concluded in respect of £252 million of requested funding, however at the time of approving these financial statements the funding is not yet contractually committed by the Shareholder, and required covenant waivers beyond July 2024 are not guaranteed. Management's base case forecast assumes receipt of the required Government funding and support and, if this is not forthcoming, those forecasts indicate the Group will breach the terms of its borrowing facilities with Government and exhaust those facilities within the going concern period, such that it will not be able to settle its liabilities as they fall due. These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

- assessing the base case budgets and cash flow forecasts prepared by management, including assessing historical forecasting accuracy and also assessing the severe but plausible downside scenario which includes Government funding not being received, a reduction in trading profit, an adverse outcome in relation to taxation related risks and plausible increases in exceptional and investment spending. We challenged management on their assumptions, including on the severity of their modelled scenario, validating the mathematical accuracy of the model's calculations;
- reviewing terms and covenants of funding facilities, corroborating any waivers to signed agreements where these have been obtained;
- corroborating the existence of currently committed government funding and facilities and the extension of Remediation Matter funding, to signed agreements;
- evaluating the letter of support received from the Shareholder, including considering any caveats and the impact of these on the material uncertainty; and
- reviewing the disclosures made in the Group and Company basis of preparation and the Directors report regarding the material uncertainty.

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

Emphasis of matter - Estimation uncertainty in relation to the valuation of Remediation 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 Horizon Shortfall Scheme ('HSS') provision, the Overturned Convictions ('OC') provision and the Suspension Remediation Review ('SRR') provision as explained in note 1 of the consolidated financial statements (Critical accounting estimates and judgements in applying accounting policies). Post Office Limited ("POL") has recognised provisions of £127 million related to the HSS, £244 million related to OC and £64 million related to SRR. In aggregate the financial statements include provisions in respect of these Remediation Matters of £435 million. As disclosed in note 1, the 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 Remediation Matters. In particular the provisions are highly sensitive to assumptions

UKGI00044323

regarding i) the estimated average payment value per claim in respect of open claims in HSS; ii) the estimated number of claimants to whom payments will be made and the estimated average value of such payments in respect of OC settlements; and iii) the number of eligible Postmasters who will receive payments and the average value of such payments in respect of SRR. 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 26 March 2023 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 Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

UKGI00044323

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

- Enquiring with management, internal audit and those charged with governance to understand the relevant laws and regulations applicable to the Group and Company, and their assessment of fraud related risks;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Identifying and testing journal entries using a risk-based targeting approach for unusual account combinations that could impact revenue and Trading Profit;
- Challenging assumptions and judgements made by management in determining significant accounting estimates including remediation matters related provisions, 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.

V ng from this responsibility.

GRO

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
11 December 2023

UKGI00044323

Consolidated Income Statement

for the 52 weeks ended 26 March 2023 and 52 weeks ended 27 March 2022

	Note	**2023 £m**	2022 £m
Revenue from contracts with customers	2	**885**	834
Costs		**(865)**	(796)
Costs – investment spend	5	**(38)**	(28)
Costs – net exceptional items credit / (charge)	4	**135**	(90)
Total costs		**(768)**	(914)
Other operating income		**1**	1
Funding for exceptional items	4	**13**	6
Investment Funding	5	**75**	-
Network Subsidy Payment		**50**	50
Depreciation and amortisation	4	**(84)**	(104)
Impairment of fixed assets	4	**(255)**	-
Share of post-tax profit from joint venture	11	**29**	3
Operating loss		**(54)**	(124)
Operating loss before exceptional items		**(202)**	(40)
Finance costs	7	**(27)**	(7)
Loss before taxation		**(81)**	(131)
Taxation credit	8	**5**	1
Loss for the financial year		**(76)**	(130)

For the year ended 26 March 2023 trading profit was £50 million (2022: £42 million).

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

UKGI00044323

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 26 March 2023 and 27 March 2022

	Note	**2023 £m**	2022 £m
Loss for the financial year		**(76)**	(130)
Items that will not be reclassified to profit or loss			
Re-measurements on defined benefit surpluses	18	**1**	1
Total other comprehensive income		**1**	1
Total comprehensive expense for the year		**(75)**	(129)

There are no additional other comprehensive income items (2022: £nil) that will be reclassified to the profit and loss in future periods.

UKGI00044323

Consolidated Statement of Cash Flows

for the 52 weeks ended 26 March 2023 and 27 March 2022

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Operating (loss) before investment spend and exceptional items	24	**(239)**	(12)
Adjustment for:			
Share of post-tax profit from joint venture	11	**(29)**	(3)
Depreciation and amortisation	9,10	**84**	104
Impairment of non-current assets	9,10	**255**	-
Pension defined contribution charge	18	**13**	13
Other gains		**(1)**	(1)
Working capital movements:		**225**	24
Increase in trade and other receivables		**(14)**	(8)
Increase in trade and other payables		**233**	33
Decrease in inventories		**1**	1
Increase / (decrease) in trading provisions		**5**	(2)
Pension contributions paid		**(13)**	(12)
Net payment in respect of investment spend and exceptional items:		**(126)**	(123)
Restructuring and other exceptional costs		**(213)**	(129)
Investment funding		**75**	-
Funding for exceptional costs		**12**	6
Net cash inflow/(outflow) from operating activities		**169**	(10)
Cash flows from investing activities			
Dividends received from joint ventures	11	**3**	-
Proceeds from the sale of property, plant and equipment		**2**	5
Purchase of tangible non-current assets	10	**(15)**	(10)
Purchase of intangible non-current assets	9	**(53)**	(45)
Net cash outflow from investing activities		**(63)**	(50)
Cash inflow/(outflow) before financing activities		**106**	(60)
Cash flows from financing activities			
Share issue	19	**-**	125
Finance costs paid		**(10)**	(5)
Lease capital	20	**(13)**	(11)
Lease interest	20	**(2)**	(2)
Proceeds from new borrowings	15	**-**	52
Net proceeds/(repayments) of borrowings from DBT	15	**102**	(97)
Net cash inflow from financing activities		**77**	62
Net increase in cash and cash equivalents		**183**	2
Cash and cash equivalents at the beginning of the year	13	**367**	365
Cash and cash equivalents at the end of the year	13	**550**	367

UKGI00044323

Consolidated Balance Sheet

at 26 March 2023 and 27 March 2022

	Note	**2023 £m**	2022 £m
Non-current assets			
Intangible assets	9	**42**	178
Property, plant and equipment	10	**8**	127
Investments in joint venture	11	**75**	49
Retirement benefit surplus	18	**1**	1
Trade and other receivables	12	**10**	11
Deferred tax asset	8	**4**	-
Total non-current assets		**140**	366
Current assets			
Inventories		**-**	1
Trade and other receivables	12	**290**	274
Cash and cash equivalents	13	**550**	367
Total current assets		**840**	642
Total assets		**980**	1,008
Current liabilities			
Trade and other payables	14	**(770)**	(541)
Financial liabilities – interest-bearing loans and borrowings	15	**(438)**	(329)
Provisions	16	**(165)**	(201)
Total current liabilities		**(1,373)**	(1,071)
Non-current liabilities			
Other payables	14	**(48)**	(42)
Financial liabilities – interest-bearing loans and borrowings	15	**(45)**	(52)
Provisions	16	**(313)**	(567)
Total non-current liabilities		**(406)**	(661)
Net liabilities		**(799)**	(724)
Equity			
Share capital	19	**-**	-
Share premium	19	**590**	590
Accumulated losses		**(1,391)**	(1,316)
Other reserves	19	**2**	2
Total equity		**(799)**	(724)

The notes on pages 77 to 128 form an integral part of the consolidated financial statements.

The financial statements on pages 72 to 128 were approved by the Board of Directors on 11 December 2023 and signed on its behalf by:

GRO

N Read

Chief Executive Officer

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Consolidated Statement of Changes in Equity

for the 52 weeks ended 26 March 2023 and 27 March 2022

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

	Note	Share capital £m	Share premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 29 March 2021		**-**	**465**	**(1,187)**	**2**	**(720)**
Loss for the year		**-**	**-**	**(130)**	**-**	**(130)**
Share Issue	19	**-**	**125**	**-**	**-**	**125**
Re-measurements on defined benefit surplus	18	**-**	**-**	**1**	**-**	**1**
At 27 March 2022		**-**	**590**	**(1,316)**	**2**	**(724)**

UKGI00044323

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 26 March 2023 (2022: 52 weeks ended 27 March 2022).

Basis of preparation

The Group financial statements on pages 72 to 128 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. Unless otherwise stated in the accounting policies below, the financial statements have been prepared under the historic cost accounting convention.

The financial statements have been prepared on a going concern basis. This basis is predicated on the assumption that Government will continue to provide support to the Group as required. A material uncertainty has been identified in respect of this assumption, specifically in relation to the reliance placed on a Letter of Support from the Shareholder (Department for Business and Trade, "DBT") regarding their intention to continue to provide the required financial support, in addition 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 78 to 81.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings as at 26 March 2023. 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: 100 Wood Street, London, EC2V 7ER) and Payzone Bill Payments Limited (subsidiary, registered address: 100 Wood Street, London, EC2V 7ER) for the 52 weeks ended 26 March 2023.

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:

- Amendments to IFRS 3;

UKGI00044323

- Amendments to IAS 16 ;
- Amendments to IAS 37; and
- IFRIC Agenda decision – lessor forgiveness of lease payments (IFRS 9 and IFRS 16).

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:

- Narrow scope amendments to IAS 1 and IAS 8 (effective 1 January 2023);
- IFRS 17 Insurance contracts (effective 1 January 2023);
- IAS 12 Deferred tax amendment (effective 1 January 2023);
- IAS 1 Presentation of Financial Statements amendment (effective 1 January 2024); and
- IFRS 16 Leases amendment (effective 1 January 2024).

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 (material uncertainty)

Having reviewed the expected future cash flows and given careful consideration to the likelihood of the continued support of Government, the Directors are satisfied that the Group (being the group of companies headed by Post Office Limited) is expected to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern position, the Board has considered the Group's financial forecasts for the 15 months from the date of approval of these financial statements, including forecasting a severe but plausible downside scenario, and has placed significant reliance on a Letter of Support provided by its Shareholder (Department for Business and Trade, "DBT"), details of which are outlined below.

For the Group to continue to meet its liabilities as they fall due, continued funding and support is required from the Government. Without additional funding and support being provided by Government to fund the exceptional and investment activities identified below, including the costs to support the POHIT Inquiry, run the Remediation Matters activities and replace the Horizon system, the Group forecasts breaching its Security Headroom covenant, which is a restrictive covenant within the Working Capital Facility provided by its Shareholder, within the going concern period. Moreover, the Working Capital Facility itself would need to be used for purposes other than that for which it was originally intended, being short-term liquidity, and would also become fully exhausted, thus resulting in the Group being unable to meet its liabilities as they fall due.

Given the above, the Shareholder has provided a Letter of Support which has been relied upon by the Board when making its assessment of whether the Group remains a going concern. The letter confirms that the Shareholder intends to continue to provide financial support to the Group to enable it to meet its liabilities as they fall due for a period of no less than 15 months from the date of signing the 2022/23 financial statements. In addition, the Shareholder recognises that the Group faces other financial risks (including certain taxation-related risks) that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due.

The Shareholder's Letter of Support does not constitute a financial guarantee, however, and includes certain caveats making clear that any funding is subject to His Majesty's Treasury ("HMT") consent and is subject to the application of the Subsidy Control Act 2022, namely the referral to the Subsidy Advice Unit of the Competition and Markets Authority ("CMA"), and consideration of the SAU's report, which is outside the control

UKGI00044323

of the Group and the Shareholder. These processes have been concluded in respect of £252 million of requested funding, however, at the time of approving these financial statements, this funding is not yet contractually committed by the Shareholder and required covenant waivers beyond July 2024 are not guaranteed. Whilst there is no indication that the funding and support will not be forthcoming, the absence of guaranteed committed funding and support at the date of authorisation of the financial statements represents a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

The Government has for many years provided what may be termed 'traditional funding', in the form of Network Subsidy Payments to fund loss-making branches that the Group is required to operate in line with Government requirements, and Investment funding, being funding to help develop the business. However, as a result of the reducing profitability that has been seen in recent years, which is anticipated to continue, given inflationary cost pressures, the requirement to run a Network in line with Government requirements and changes in customer trends impacting profitability, there is a renewed focus on the importance of this funding. For the purposes of the going concern assessment this element of funding is securely in place, with £50 million of Network Subsidy Payments in each of 2023/24 and 2024/25 and £110 million of investment funding over the two financial years having been contractually committed by Government.

In addition to this traditional funding, the Group has other 'exceptional funding' commitments in place from Government which help to support ongoing exceptional cost, in particular related to funding compensation payments to impacted Postmasters in relation to Remediation Matters. Where required these funding commitments have been updated post year end to ensure adequate funding is in place for the going concern period or until the provisions are expected to be fully utilised, whichever is the earlier. The agreements in place at the time of signing include:

- Horizon Shortfall Scheme ("HSS"): A provision of £127 million has been recognised in 2022/23 (2021/22: £172 million). Government has agreed to fund up to £233 million in relation to HSS settlements, after the first £87 million of settlement payments have been funded by the Group. This funding agreement is in place until 31 March 2025. As at 26 November 2023 £96 million of settlement payments have been made to date, therefore utilising £9 million of the Government funding. As outlined in the critical accounting estimates section on pages 82 to 85, significant estimation uncertainty around this provision balance remains, however the level of funding agreed is expected to be sufficient.

- Overturned Convictions ("OC"): A provision of £244 million has been recognised in 2022/23 (2021/22: £487 million) after adjusting for the impact of discounting of £12 million (2022: £21 million). In 2022/23 Government committed to provide funding of up to £780 million, which is in excess of the current estimated liability. The funding agreement does not have an end date. As outlined in the critical accounting estimates section on pages 82 to 84, significant estimation uncertainty around this provision balance remains, however the level of funding agreed is expected to be sufficient.

- Suspension Remuneration Review ("SRR"): A provision of £64 million has been recognised in 2022/23 (2021/22: £62 million). Government has agreed to fund up to £116 million in relation to SRR settlements. The funding agreement is in place until 31 March 2025. As outlined in the critical accounting estimates section on pages 82 to 84, significant estimation uncertainty around this provision balance remains, however the Directors believe the level of funding agreed is expected to be sufficient.

In addition to the above compensation payments, the Board is aware that additional funding is required in relation to additional Exceptional items, both related to Remediation Matters and otherwise. The additional funding requirements along with the status of funding agreements are detailed below and these have been carefully considered in the Directors' assessment of the going concern position.

UKGI00044323

Remediation Matters and POHIT Inquiry operational costs

Up until the end of 2022/23 the Group has funded the operational running costs of the Remediation Matters activities, including HSS, OC and SRR, and the Group's support for the POHIT Inquiry. These activities are recognised as being both fundamental, in righting the wrongs of the past and ensuring issues do not arise in the future, and in some cases legally required. It was not envisaged, when the activities began, that the operation and support of these activities would take as long or cost as much as they have and will. However, the Remediation Matters activities being continually developed and the pace of individuals coming forward to have convictions overturned being slower than anticipated, alongside the POHIT Inquiry being placed on a statutory footing on 1 June 2021 and running for longer than originally anticipated, has led to an increase in costs.

The Group is no longer in a position where it can afford to fund these activities from its own resources and the Board has sought an additional £149 million in funding from Government. This funding has been approved by the Government but has not yet been contractually committed. The going concern assumption assumes this funding will be forthcoming, with the assumption supported by the Letter of Support provided by the Shareholder.

Horizon replacement

The Group is in the process of developing a replacement for the ageing Horizon system. This activity is deemed fundamental to the Group given it is a critical and symbolic step to help move forward from the past. This is a significant undertaking and will take a number of years to fully develop and roll out across the Network given the complexity of the services offered, the need to ensure the wrongs of the past are not repeated, and the scale of the Network across which the replacement will need to be deployed.

Development activity of this nature would usually be funded via the traditional investment funding provided by the Government. However, given the scale of the activity compared with the traditional investment funding currently in place, and taking on board the other requirements across the organisation for which this funding is necessary, additional exceptional funding is required. The Group has therefore sought an additional £103 million in funding from the Government to fund these activities until June 2024 with an additional funding request likely to be made during 2024/25 once plans are further developed. The £103 million funding has been approved in principle by the Shareholder and HMT and the Shareholder has referred the subsidy to the SAU as required by the Subsidy Control Act 2022. The SAU report was published on 7 December 2023 and there is then a statutory five-day cooling-off period in place before any contractual commitment can be made. This funding is therefore yet to be contractually committed to by Government. The going concern assumption assumes the £103 million funding will be forthcoming, with the assumption supported by the Letter of Support provided by the Shareholder.

Remediation Matters – Post Office process review

The Directors recognise that there is the potential for further remediation liabilities to arise in future years as the Group continues to review historical policies and processes. As outlined in the post balance sheet events section in note 25 to the accounts, additional liabilities may arise in 2023/24 or beyond following the announcement of the intention to undertake this review to compensate Postmasters that may have been affected. At this point in time, it is not possible to accurately estimate the potential liability that may arise as a result of this process. The Government has announced its intention to support the Group with funding to cover the cost of compensation for Postmasters affected however the funding is subject to compliance with subsidy control requirements, including referral to the SAU under the Subsidy Control Act 2022. The going concern assumption assumes the necessary funding will be forthcoming should it be required, with the assumption supported by the commitment letter and Letter of Support provided by the Shareholder.

Impact of not receiving the additional Exceptional Funding

The Group is restricted in its ability to seek financing from sources outside of Government. As such the Group has significant reliance on Government to continue to provide sufficient financial facilities.

UKGI00044323

Subsequent to the Balance Sheet date but prior to signing these financial statements, the Shareholder has provided waivers of both the Security Headroom covenant and the usage clause of the Working Capital Facility, which will come into effect as required until the end of July 2024, by which time the Government intends to have provided additional funding. These waivers ensure the Group can continue to maintain access to this source of liquidity in the event that additional funding is not in place by the time breaches could occur. Government has also committed to continue to engage with the Group to assess the need for an extension to the current waiver period, should that be necessary.

In addition, Government has indicated in its Letter of Support it will consider increasing the Working Capital Facility by £100 million to £1,050 million to ensure that POL can continue to have access to sufficient financing capacity throughout its going concern period. An extension would be subject to HMT consent and would also be subject to the application of the Subsidy Control Act 2022, referral to the Subsidy Advice unit and consideration of the SAU report.

The Directors have considered a severe but plausible downside scenario which includes a reduction in trading profit, plausible increases in exceptional and investment spending, an adverse outcome in relation to taxation-related risks, and Government funding and facility extensions and waivers, which are being sought but have not yet been contractually committed, not being forthcoming. This forecast indicates the Group will initially breach the terms of its borrowing facilities with Government and subsequently exhaust these facilities within the going concern period, such that it will not be able to settle its liabilities as they fall due.

The specific issues that would occur include:

- Security Headroom – this is a covenant within the Working Capital Facility which requires the Group to have sufficient adequate defined assets to cover the borrowing levels. This covenant would be breached, which, if not rectified or waived, would be an event of default on the facility.
- Usage of the facility – the facility should be used for near term cash liquidity. It is expected that the facility could need to be used to fund other activities as outlined above, thus breaching the terms of the facility and thereby, unless waived, would be an event of default on the facility.
- Exhaustion of the facility – the facility would be fully used, via the spend on items other than those for which it is intended, as outlined above, and unless additional facilities are forthcoming, the Group would run out of liquidity. The Working Capital Facility is described in more detail on page 108 to 109.

In light of the above impacts and the status of the required funding, the Shareholder has provided written waivers to the Group over the Security Headroom covenant and the use of the facility, out until the end of July 2024, which prevents the Group from breaching the terms of their facilities over this defined period, and thus enables the Group to continue to have access to and utilise the facilities in place. Forecasts indicate that a breach in Security Headroom will occur in the going concern period unless additional funding, beyond that currently being finalised, as outlined above, is forthcoming. Government has committed to continue to engage with the Group to assess the need for an extension to the current waiver period should that be necessary. In addition, by confirming its intention to provide additional funding to the Group, the facility itself should not be exhausted, thus ensuring adequate liquidity is maintained in the Group.

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

UKGI00044323

next 12 months, are outlined below.

Critical accounting estimates:

Horizon Shortfall Scheme

In December 2019, Post Office reached an out-of-court settlement with the claimants in the High Court proceedings which were being conducted under 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. This scheme is referred to as the Horizon 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 on behalf of 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, including an extension for those with exceptional circumstances, on 27 November 2020. As at 30 November 2023, the HSS had received 2,708 eligible applications from current and former Postmasters, 291 of which relate to late claims which have been accepted onto the scheme. Settlement offers have been issued to 2,641 claimants and of these, 2,161 have been settled as at 30 November 2023. On 19 June 2023 the Government announced that Postmasters in the HSS will receive a Tax Top-Up ("TTU") to their HSS compensation payment, ensuring that the amount they receive is not unduly reduced by tax. The payment of the TTUs commenced in late October 2023 and is expected to provide postmasters with their TTU letters by March 2024.

A provision of £127 million (2022: £172 million) has been retained in respect of the HSS, with the decrease being due to £61 million of settlements made to claimants in the year, offset by revisions to the estimated volume and value of claims to be settled, including increases for TTU. 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 a significant level of estimation risk as a result of the complexity of the remaining cases yet to be settled and the evolving nature of the scheme, which could result in the eventual outcome of the HSS varying significantly to that which has been estimated.

Analysis performed over the assumptions used indicates a wide range of possible outcomes. If the estimated average payment value per remaining unaccepted claim increased/decreased by 10%, as compared to the average value assumed in arriving at the provision calculation, the provision would increase/decrease by £10 million and could have a further material impact on the financial statements.

Government has confirmed it will provide sufficient financial support to Post Office to ensure that the scheme

UKGI00044323

can continue, including its intention to fund the expected running costs of the scheme beyond the balance sheet date based on current expectations of the potential cost, see the going concern section on pages 78 to 81 for further details. As outlined above, significant uncertainty around the provision balance remains, however it is believed the level of funding agreed should be adequate, assuming the Government continue to provide financial support. See the going concern section on pages 78 to 81 for further details surrounding Government support.

Overturned Convictions

In relation to OC, further information of which can be found on pages 12 to 13 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 was 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.

A provision of £244 million (2022: £487 million) has been retained in respect of OC which represents the present value of the estimated future payments. 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 in terms of final settlements made, there is a significant level of estimation uncertainty. In estimating the provision, management has made two key estimates: the number of claimants to whom payment will be made and the potential average value of payments to be made. The assumptions used are subjective, but represent management's best estimate using the information available, including advice from external legal advisors, details of settlements and offers made to date and the impact of any decisions and announcements with regards to the process including Government announcements. The potential outcomes are wide ranging, with analysis indicating the provision could increase or decrease by a material level if key assumptions were altered and could have a further highly material impact on the financial statements. A 10% change in either of the key assumptions could lead to an increase / decrease of £24 million 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 OC. 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 78 to 81 for further details surrounding Government support. During 2022/23, £13 million (2022: £6 million) of payments were made resulting in utilisation of the provision and recognition of funding being recognised through exceptional items, as presented in note 4.

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.

UKGI00044323

A provision of £64 million (2022: £62 million) has been retained at the balance sheet date in respect of SRR. This represents management's best estimate of the potential future payments to eligible Postmasters whose 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 in the early stages, with less than £1 million of settlements made in the year, limited trends or patterns exist 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 offers.

Analysis performed over the assumptions used indicates a wide range of possible outcomes. If the estimated average individual payment value increased/decreased by 10%, as compared to the average value assumed in arriving at the provision calculation, the provision would increase/decrease by £6 million.

Government has committed to providing funding for settlement payments up to a maximum of £116 million. The funding will be recognised at the point the settlement becomes virtually certain. See the going concern section on pages 78 to 81 for further details regarding the funding position.

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

Key assumptions used in impairment tests for non-current assets

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

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

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

Board-approved cash flow projections which cover the two-years to March 2025 have been used as the basis of the value in use calculation. Cash flows have been extended a further year to March 2026, based on current observable trends and management expectations, removing any significant one-off items. Where applicable, cash flows beyond this period are extrapolated using estimated growth rates. Based on both internal and external factors, the estimated growth rate used in the current year assessment is nil (2022: nil). Where an individual asset included in the CGU can be supported independently by its FVLCOD, that asset would not be impaired below its FVLCOD.

The analysis performed indicates the carrying value of the assets of the Post Office Limited CGU exceed the recoverable amount based on the forecast loss-making position, when ignoring future capital expenditure and investment plans, which have been excluded from the value-in-use calculation in accordance with IAS 36. Consequently, a partial impairment of the CGU has been recognised, incurring an impairment charge of £217 million (2022: £nil) in the year. This includes £110 million (2022: £nil) related to intangible assets and £107 million (2022: £nil) related to property, plant and equipment. The joint venture investment and freehold land and

UKGI00044323

buildings, which are part of the CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD.

Non-current assets in scope of IAS 36, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Refer to notes 9 and 10 for further details.

Actuarial assumptions

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

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

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

Property provisions

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

Critical accounting judgements:

Pension schemes

Post Office historically participated 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. The Royal Mail Senior Executives Pension Plan was bought out during the year, so as such will not be a critical judgement going forwards.

Cash generating units ("CGU")

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

UKGI00044323

Limited network as a whole is deemed to be one CGU.

CGU impairment review – network subsidy payments

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

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 78 to 81, 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.

Mails, Retail & Government Services

Mails

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

Retail

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

Government Services

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

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. Post Office Limited is the agent for Banking revenue. In addition, the Banking Framework Agreement provides a fixed-fee element based on activity levels over a 12-month rolling period. Accrued income (a contract asset) is recognised until amounts earned are invoiced.

UKGI00044323

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

Financial Services, Identity Services & Insurance

Financial Services

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

Identity Services

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

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.

Other revenue

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

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

Accrued and deferred income (contract assets and liabilities)

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

Deferred income (contract liability) is recognised when we have received advance payment for goods and

UKGI00044323

services that we have not yet transferred to the customer.

Network Subsidy Payment

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

Other operating income

Other operating income relates to interest earned from the Post Office Card Account. The product ceased in the year ended 26 March 2023.

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, running costs for ongoing litigation and changes to Remediation Matters related provisions. Refer to note 4 for further details.

Exceptional funding

Funding received from Government to offset cash outflows to claimants as part of the Horizon Shortfall Scheme, Overturned Convictions and Postmaster Remediation is recognised when the quantum for each specific claim settlement becomes virtually certain.

Investment spend

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

Investment funding

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

Leases

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

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

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

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

UKGI00044323

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

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

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

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

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

Taxation

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

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

UKGI00044323

it relates.

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

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

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

Investments in joint ventures

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

Property, plant and equipment

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

Property, plant and equipment is recognised at cost, including attributable costs in bringing the asset into working condition for its intended use. After initial recognition, assets are held at cost less depreciation and any accumulated impairment charges. See pages 84 and 85 for impairment assessment policy.

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

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

Freehold property, long leasehold property and land

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

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

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

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

UKGI00044323

Leased assets

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

Intangible assets

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

Software

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

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

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. After initial recognition, assets are held at cost less depreciation and any accumulated impairment charges. See pages 84 and 85 for impairment assessment policy.

Research and development

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

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

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

Intangible assets with a finite useful life:

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

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

UKGI00044323

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

Goodwill

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

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

The subsidiary 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 are open to all permanent UK employees of the Group.

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

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

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

Full actuarial funding valuations are carried out at intervals not normally exceeding three years as determined by the Trustees and actuarial valuations are carried out at each balance sheet date and form the basis of the surplus or deficit disclosed. When the calculation at the balance sheet date results in net assets to the Group,

UKGI00044323

the recognised asset is limited to the present value of any future refunds of the plan or reductions in future contributions to the plan (the asset ceiling). As noted above, the RMPP Plan has been closed and no future refunds will be made to the Group.

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

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

Bonus plans – short-term incentives

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

Bonus plans – long-term incentives

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

Foreign currencies

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

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

Provisions

Provisions are recognised when; the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Due to the nature of provisions the future amount settled may be different from the amount that has been provided. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate. The Group has considered the provisions recognised in the balance sheet and adjusted for the impact of discounting where material to the financial statements. Costs of operating Remediation Matters related schemes are not included within the provisions and are expensed through the income statement as incurred.

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

UKGI00044323

measured at fair value.

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

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

Subsequent measurement of financial liabilities

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

Derecognition of financial assets

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

Derecognition of financial liabilities

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

Derivatives and hedging activities

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

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

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

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

Cash flow hedges that qualify for hedge accounting

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

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were previously

UKGI00044323

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.

UKGI00044323

2. Revenue from contracts with customers

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

Revenue segments	2023 £m	2022 £m
Mails, Retail & Government Services	367	411
Banking, Payments & Transactional Services	379	329
Financial Services, Identity Services & Insurance	126	82
Other*	13	12
Total revenue	885	834

* Principally relates to Supply Chain income of £10 million (2022: £9 million) predominantly for warehousing of Royal Mail stock and transport of high value mails in addition to the release of Bank of Ireland deferred income of £3 million (2022: £2 million). The remaining £nil (2022: £1 million) is made up of individually immaterial revenue balances.

3. People costs and numbers

Employment and related costs were as follows:

People costs	2023 £m	2022 £m
Wages and salaries	161	136
Social security costs	16	15
Pension costs (note 18)	14	13
Total people costs	191	164

Period end and average monthly employee numbers were as follows:

	Period end employees		Average employees	
	2023	2022	2023	2022
Total employees	3,592	3,380	3,486	3,415

Total employee numbers can be categorised as follows:

	Period end employees		Average employees	
	2023	2022	2023	2022
Administration	1,419	1,258	1,351	1,215
Directly managed branches ("DMB")	1,269	1,242	1,258	1,316
Supply Chain	798	775	786	772
Post Office Management Services	28	34	23	38
Payzone	78	71	68	74
Total	3,592	3,380	3,486	3,415

UKGI00044323

4. Operating loss

The following items are included within operating loss:

	2023 £m	2022 £m
Postmasters' remuneration	**402**	392
People costs*	**175**	164
Depreciation and amortisation (note 9 and 10)	**84**	104
Impairment of fixed assets (note 9 and 10)	**255**	-
Cost of inventories recognised as an expense	**1**	1
Profit on disposal of fixed assets	**(1)**	(3)
Exceptional items:	**£m**	£m
• Horizon Shortfall Scheme	**52**	65
• Overturned Convictions	**(230)**	4
• Postmaster Remediation	**5**	3
• POHIT Inquiry	**38**	12
• Other legal	**-**	6
Total exceptional items (credit) / charge	**(135)**	90
Funding for exceptional items:	**£m**	£m
• Overturned Convictions funding	**(13)**	(6)
Fees payable to the Group's auditors for audit and other services:	**£'000**	£'000
• Parent Company and Group audit	**941**	969
• Audit of subsidiaries	**191**	110
• Other assurance services	**451**	156
• Other non-audit services	**-**	9

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

Postmasters' remuneration:
Postmasters' remuneration of £402 million (2022: £392 million) includes payments made to Payzone agents of £3 million (2022: £3 million).

Impairment:
An impairment assessment was carried out at the cash generating unit ("CGU") level resulting in an impairment of fixed assets totalling £224 million (2022: £nil), driven by the forecast loss making position. In addition, a decision was made to discontinue an IT project that was part of a transformational programme to move existing software onto cloud infrastructure. As a result, an impairment of £31 million (2022: £nil) was recognised due to the associated assets no longer having any economic benefit. Additionally, See notes 9 and 10 for further details.

Exceptional items:
An exceptional net credit of £135 million (2022: £90 million net charge) was recognised in the year. This all related to Horizon Liabilities and Remediation Claims in the current year (2022: £84 million cost) broken down as follows:

- Horizon Shortfall Scheme ("HSS") costs relate to legal costs and costs to run the scheme of £36 million (2022: £36 million) and a net increase in the provision value of £16 million (2022: £29 million), driven by changes in accounting assumptions underpinning the provision estimate, including the incorporation of additional costs for tax uplift payments.

UKGI00044323

- Overturned Convictions ("OC") costs relate to legal costs and costs to run the scheme of £15 million (2022: £13 million) and a net overall reduction to the provision of £245 million (2022: £9 million), driven by changes in accounting assumptions underpinning the provision estimate, including revised case numbers and the current year impact of discounting. The overall net reduction to the provision excludes the unwinding of discount which is recognised in finance costs, see note 7.
- Postmaster Remediation costs relate to costs of £3 million (2022: £nil) to run the scheme and a net provision increase of £2 million (2022: £3 million). The increase from the prior year relates to updated management estimates.
- POHIT Inquiry legal and running costs of £38 million (2022: £12 million) relating to Sir Wyn's public Inquiry into the Horizon IT scandal which was placed onto a statutory footing on 1st June 2021 and began its oral hearings in February 2022.

There are no other legal costs in exceptional items in the current year. In the prior year, other legal relates to costs of defending the Employment Tribunal of £6 million.

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

Exceptional funding:
Funding for exceptional items of £13 million was recognised in the year (2022: £6 million) in line with agreed Government funding for Remediation Matters related compensation payments.

Fees payable to the Group's auditors:
The parent Company and Group audit fee for 2022/23 does not include any additional billing for the 2021/22 audit (2022: £100,000 additional billing for the 2020/21 audit).

5. Investment funding and investment spend

	2023 £m	2022 £m
Investment funding	**75**	-
Investment spend		
Restructuring:		
Business transformation	**(1)**	(6)
Network programmes	**(1)**	(9)
IT transformation	**(36)**	(11)
Severance	**-**	(2)
Total restructuring costs	**(38)**	(28)
Net investment funding / (spend)	**37**	(28)

Investment funding:

Investment funding of £75 million was received from DBT for transformation activities in 2022/23. No investment funding was received from DBT in 2021/22; instead, alternative funding was provided, see notes 15 and 19.

Restructuring:

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

UKGI00044323

6. Directors' emoluments

Executive Directors' remuneration was as follows:

	2023 £'000	2022 £'000
Directors' salaries	**681**	660
Short-term incentive scheme	**222**	262
Long-term incentive scheme*	**-**	247
Transformational incentive scheme**	**-**	196
Cash in lieu of pension	**61**	61
Benefits	**10**	10
Total remuneration	**974**	1,436

Non-Executive Directors' remuneration was as follows:

	2023 £'000	2022 £'000
Non-Executive Directors' fees	**341**	241
Total remuneration	**341**	241

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

	2023 £'000	2022 £'000
Directors' salaries	**436**	415
Short-term incentive scheme	**137**	163
Long-term incentive scheme*	**-**	115
Transformational incentive scheme**	**-**	123
Total remuneration	**573**	816

* As there was no long-term incentive scheme granted in 2020, there is no payment vesting in 2023. Payment in 2021/22 relates to the 2019-2022 long-term incentive scheme. The award for Nick Read was pro-rated in line with his start date of 16 September 2019.

** The 2020/21 Executive Directors' short-term incentive scheme was cancelled and replaced with the transformation incentive scheme which was paid out in March 2022 and therefore included in the 2021/22 figures rather than in the 2020/21 figures. The 2021/22 figures have subsequently been adjusted from the 2021/22 report to reflect the amounts voluntarily repaid by the CEO and CFO respectively, of; CEO: £54,469 and CFO: £6,120.

No Directors were accruing pension entitlements during the period (2022: none).

7. Finance costs

	2023 £m	2022 £m
Interest payable on loans	**(8)**	(3)
Finance charges	**(19)**	(4)
Total – net finance costs	**(27)**	(7)

Interest payable on loans relate to the working capital facility and the fixed term loan, see note 15. Finance charges include the unwinding of discount on the OC provision totalling £15 million (2022: £nil), see note 16.

UKGI00044323

8. Taxation

(a) Taxation recognised in the year

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

	2023 £m	2022 £m
Current income tax:		
Corporation tax credit for year	(1)	(1)
Deferred income tax:		
Deferred tax income relating to the utilisation of losses brought forward	(4)	-
Taxation credit	(5)	(1)

The current income tax credit recognised in the income statement is £1 million (2022: £1 million). The deferred income tax credit recognised in the income statement is £4 million (2022: £nil). There was no deferred tax recognised in other comprehensive income (2022: £nil).

(b) Factors affecting current tax credit on loss

As in 2023, the tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £m	2022 £m
Loss before taxation	(81)	(131)
Total loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	(15)	(25)
Effect of unutilised losses carried forward	1	33
Adjustments to tax charge in respect of previous periods	-	1
Research and development tax credit	(1)	(1)
Increase in tax charge as a result of change in unrecognised deferred tax assets	-	1
Surrender of tax losses to joint venture	-	1
Expenses not deductible for tax purposes	12	4
Income not taxable	(6)	(12)
Fixed asset differences	4	(3)
Taxation credit	(5)	(1)

UKGI00044323

(c) Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Acquired intangible assets	-	(1)	-	(1)
Tax losses	**4**	1	**4**	1
Deferred tax (liability) / assets	**4**	-	**-**	-
Deferred tax income / (expense)	**-**	-	**4**	-

The Group has significant tax losses which are available indefinitely for offsetting against future taxable profits. As at the balance sheet date a deferred tax asset of £4 million (2022: £nil) has been recognised in Post Office Management Services Limited in relation to these tax losses.

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 25% has been used.

(d) Factors that may affect future tax charges

The Group has rolled over capital gains of £2 million (2022: £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%. The change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly.

The corporation tax disclosures include assumptions around the tax treatment of the provision expense and funding income related to the unique processes by which Post Office is seeking to make payments to claimants, namely HSS, OC and SRR.

UKGI00044323

9. Intangible assets

	Software	Goodwill	Other intangibles	Total
	£m	£m	£m	£m
Cost				
At 28 March 2021	573	52	7	632
Additions	44	-	-	44
Disposals	(61)	-	-	(61)
At 27 March 2022	**556**	**52**	**7**	**615**
Reclassification*	**1**	**-**	**-**	**1**
Additions	**52**	**-**	**-**	**52**
Disposals	**(34)**	**-**	**-**	**(34)**
At 26 March 2023	**575**	**52**	**7**	**634**
Accumulated amortisation				
At 28 March 2021	415	25	1	441
Amortisation	57	-	-	57
Disposals	(61)	-	-	(61)
At 27 March 2022	**411**	**25**	**1**	**437**
Amortisation	**40**	**-**	**3**	**43**
Impairment	**143**	**-**	**3**	**146**
Disposals	**(34)**	**-**	**-**	**(34)**
At 26 March 2023	**560**	**25**	**7**	**592**
Net book value				
At 26 March 2023	**15**	**27**	**-**	**42**
At 27 March 2022	145	27	6	178

* During the current year, reviews of 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.

Included within software in the above table are assets under construction with a net book value of £1 million (2022: £64 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.

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. During the year, a decision was made to discontinue an IT project that was part of a transformational programme to move existing software onto cloud infrastructure. As a result, an impairment of £31 million (2022: £nil) was recognised. A further impairment review at the cash generating unit ("CGU") level was performed during the year resulting in an additional impairment of capitalised software costs of £115 million (2022: £nil). See note 10 for details.

Management determined that no impairment was necessary for the current year in relation to goodwill of £27 million, which is part of the Post Office Management Limited CGU (2022: £nil).

Amortisation rates are disclosed on page 91 within the accounting policies note.

UKGI00044323

10. Property, plant and equipment

	Land and buildings						
	Freehold £m	Long leasehold £m	Short leasehold £m	Motor vehicles £m	Plant and machinery £m	Fixtures and equipment £m	Total £m
Cost							
At 28 March 2021	31	47	57	28	2	828	993
Reclassification*	-	(9)	9	-	-	-	-
Additions	1	1	1	-	-	9	12
Right-of-use additions	-	2	14	-	1	-	17
Disposals	(4)	(1)	(1)	(2)	-	(6)	(14)
Right-of-use disposals	-	(2)	-	-	-	-	(2)
At 27 March 2022	**28**	**38**	**80**	**26**	**3**	**831**	**1,006**
Reclassification*	**-**	**(1)**	**-**	**(1)**	**-**	**1**	**(1)**
Additions	**-**	**-**	**1**	**1**	**-**	**12**	**14**
Right-of-use additions	**-**	**8**	**8**	**3**	**7**	**-**	**26**
Disposals	**(1)**	**-**	**-**	**-**	**-**	**(22)**	**(23)**
Right-of-use disposals	**-**	**(5)**	**(2)**	**(1)**	**-**	**-**	**(8)**
At 26 March 2023	**27**	**40**	**87**	**28**	**10**	**822**	**1,014**
Accumulated depreciation							
At 28 March 2021	22	12	30	24	2	754	844
Reclassification*	-	(5)	5	-	-	-	-
Depreciation	1	4	1	-	-	30	36
Right-of-use asset depreciation	-	-	10	1	-	-	11
Disposals	(3)	-	-	(2)	-	(7)	(12)
At 27 March 2022	**20**	**11**	**46**	**23**	**2**	**777**	**879**
Reclassification*	**-**	**(1)**	**-**	**(1)**	**-**	**2**	**-**
Depreciation	**-**	**1**	**4**	**1**	**-**	**23**	**29**
Right-of-use asset depreciation	**-**	**2**	**7**	**2**	**1**	**-**	**12**
Impairment	**-**	**27**	**30**	**4**	**7**	**41**	**109**
Disposals	**(1)**	**-**	**-**	**-**	**-**	**(21)**	**(22)**
Right-of-use asset disposals	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
At 26 March 2023	**19**	**40**	**87**	**28**	**10**	**822**	**1,006**
Net book value							
At 26 March 2023	**8**	**-**	**-**	**-**	**-**	**-**	**8**
At 27 March 2022	8	27	34	3	1	54	127

* During the current year, reviews of 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.

UKGI00044323

Included within fixtures and equipment in the above table are assets under construction of £nil (2022: £7 million).

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

Depreciation rates are disclosed on page 90 within the accounting policies note. No depreciation is provided on freehold land, which represents £1 million (2022: £1 million) of the total cost of freehold land and buildings as included in the table above.

An impairment test was performed during the year, in accordance with IAS 36. Intangible assets and property, plant and equipment were tested for impairment by comparing the carrying amount of each cash generating unit ("CGU"). The recoverable amount is determined based on the higher of an asset or CGU's value in use and, where supportable, fair value less cost of disposal ("FVLCOD").

Post Office has determined that it has three CGUs: Post Office Limited, Post Office Management Services Limited and Payzone Bill Payments Limited. Post Office Management Services Limited and Payzone Bill Payments Limited are standalone entities with an identifiable asset base and therefore are deemed to be separate CGUs. Post Office Limited runs a national network of branches which provide a distinct retail offering, resulting in a fluid customer base across the network. As such the network as a whole is deemed to be one CGU. See note 1 for further details.

The discounted net cash flows from the value-in-use calculations were used to determine the recoverable amount of the CGUs identified, being Post Office Limited, Post Office Management Services Limited and Payzone Bill Payments Limited. Value in use is determined using the Group's net cash flows from the continued use of the assets within each CGU. Board approved cash flow projections which cover the two-years to March 2025 have been used as the basis of the value-in-use calculation. Cash flows have been extended a further year to March 2026, based on current observable trends and management expectations, removing any significant one-off items. The terminal value calculation applies no (2022: nil) nominal growth rate, based on management's best estimate, taking into account market and operational experience, of the expected long-term market growth rate.

Pre-tax discount rates for Post Office Limited and Payzone Bill Payments Limited of 10.3% (2022: 8.7%) have been used to discount the forecast cash flows. The increase in discount rate is primarily driven by the risk-free rate increase. A discount rate for Post Office Management Services Limited of 10% (2022: 10%) has been used to discount the forecasted cash flows.

A key assumption with the Post Office Limited CGU impairment review is that Network Subsidy Payments ("NSP") which are received from Government to contribute to the costs of Post Office making available the network of public post offices that the Secretary of State for DBT considers appropriate, will continue into perpetuity.

The analysis performed indicates the carrying value of the assets of the Post Office Limited CGU exceed the recoverable amount based on the forecast loss-making position, when ignoring future capital expenditure and investment plans, which have been excluded from the value-in-use calculation in accordance with IAS 36. Consequently, a partial impairment of the CGU has been recognised, incurring an impairment charge of £217 million (2022: £nil) in the year. This includes £110 million (2022: £nil) related to intangible assets and £107 million (2022: £nil) related to property, plant and equipment. The joint venture investment and freehold land and buildings, which are part of the CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD.

The analysis of the Payzone Bill Payments Limited CGU also indicates that the carrying value of the assets exceeds the recoverable amount based on current forecasts, when ignoring future capital expenditure and investment plans. As such, a further impairment charge of £7 million (2022: £nil) has been recognised in the year in relation to the Payzone Bill Payments CGU, of which £2 million (2022: £nil) related to property, plant and equipment and £5 million (2022: £nil) related to intangible assets. No impairment was required in relation to the Post Office Management Services Limited CGU, which shows significant headroom.

The position of all CGUs will be revisited annually in line with accounting standards.

UKGI00044323

11. Investments in joint venture

During the current and prior year, the Group's only joint venture investment was a 50% interest (1,000 £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, London, 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 54 to 57.

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 2023 have been used; this is considered appropriate given the proximity of this year-end date to the Group's own year-end date of 26 March 2023.

An impairment assessment was carried out in accordance with IAS 36 in relation to the joint venture investment in FRESH, which forms part of the Post Office Limited CGU. In assessing whether the joint venture investment was impaired, the carrying value of the Post Office Limited CGU, was compared to its value in use, which indicated a full impairment of the CGU. A separate assessment was then carried out at the individual asset level using the FVLCOD methodology to determine recoverable amount. The FVLCOD assessment resulted in a recoverable amount in excess of the carrying value of the asset. As such, no impairment (2022: £nil) was recognised in respect of the investment in joint venture. See note 10 for further details in respect of the CGU impairment assessment.

	2023 Joint venture £m	2022 Joint venture £m
Share of net assets		
Total net investment at 27 March 2022, 28 March 2021	**49**	46
Share of post-tax profit	**29**	3
Dividend	**(3)**	-
Total net investment at 26 March 2023, 27 March 2022	**75**	49

Assets and liabilities:	**2023 Joint venture £m**	2022 Joint venture £m*
Receivables	**468**	436
Cash and cash equivalents	**46**	21
Non-current assets	**7**	10
Gross assets	**521**	467
Current liabilities	**(371)**	(367)
Net assets	**150**	100
Revenue and profit:		
Revenue	**166**	69
Profit after tax	**58**	6

*In 2021/22, the Group disclosed its share of assets, liabilities, revenue and profit. In 2022/23, a reassessment took place, taking into account the disclosure requirements of IFRS 12. As a result, the disclosure was updated to reflect amounts reported in the financial statements of the joint venture. There is no impact on the Group's figures as a result of the adjustment.

UKGI00044323

12. Trade and other receivables

	2023 £m	2022 £m
Current:		
Trade receivables	**81**	74
Accrued income	**65**	61
Prepayments	**20**	22
Client receivables	**108**	103
Other receivables	**16**	14
Total	**290**	274
Non-current:		
Accrued income	**4**	4
Other assets	**6**	6
Other receivables	**-**	1
Total	**10**	11

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).

Non-current other receivables recognised in the prior year constitute costs incurred to fulfil contracts.

The Group applies IFRS 9 when measuring expected credit losses. The Group has assessed all relevant assets and concluded that expected credit losses are not material in both the current and prior year, with the exception of trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses. The loss allowance for the current and prior year has been determined as follows:

26 March 2023	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	94%	
Gross carrying amount - £m	73	2	4	31	110
Loss allowance - £m	**-**	**-**	**-**	**29**	**29**

27 March 2022	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%	81%	
Gross carrying amount - £m	66	2	1	26	95
Loss allowance - £m	-	-	-	**21**	**21**

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.

UKGI00044323

The closing loss allowance for trade receivables as at 26 March 2023 reconciles to the opening loss allowance as follows:

	2023 **£m**	2022 £m
Opening loss allowance	**21**	**21**
Increase in loss allowance	**8**	**5**
Receivables written off as uncollectible	**-**	**(2)**
Unused amounts reversed	**-**	**(3)**
Closing loss allowance	**29**	**21**

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

13. Cash and cash equivalents

	2023 **£m**	2022 £m
Cash in the Post Office Limited network	**522**	342
Short-term bank deposits	**24**	13
Fiduciary cash balances held on behalf of third parties	**4**	12
Total cash and cash equivalents	**550**	367

Cash in the Post Office Limited network represents the notes and coins in circulation in branches and cash centres. Refer to note 22 for further detail.

Where interest is earned, it is at a floating or short-term fixed rate. The fair value of cash and cash equivalents is not materially different from the carrying value.

The fiduciary cash balances are held within Post Office Management Services Limited and are held on trust on behalf of third parties and cannot be called upon should either company become insolvent.

UKGI00044323

14. Trade and other payables

	2023 £m	2022 £m
Current:		
Trade payables	**67**	70
Accruals	**132**	106
Deferred income	**43**	23
Social security	**6**	6
Client payables	**502**	315
Lease liabilities	**10**	11
Capital accruals	**8**	10
Other payables	**2**	-
Total	**770**	541
Non-current:		
Lease liabilities	**48**	42
Total	**48**	42

The fair value of trade and other payables is not materially different from the carrying value. Trade payables are unsecured and usually paid within 30 days of recognition.

15. Financial liabilities – interest bearing loans and borrowings

	2023 £m	2022 £m
Current:		
Department for Business and Trade – facility	**431**	329
Department for Business and Trade – fixed-term loan	**7**	-
Total	**438**	329
Non-current:		
Department for Business and Trade – fixed-term loan	**45**	52
Total	**45**	52

Department for Business and Trade - facility

The loan under the facility is short-dated on a programme of liquidity management and matures within one day of drawdown (2022: 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 26 March 2023 the Group had an unused Working Capital Facility of £519 million (2022: £621 million). In addition, the Group has a further £50 million (2022: £50 million) facility available from DBT to provide same-day liquidity. This facility was undrawn at the year-end. The average interest rate on the drawn down loans is 1.348% (2022: 0.63%). The £950 million Working Capital Facility expires on 31 March 2025 and the £50 million facility on 31 March 2024.

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

UKGI00044323

over cash and near cash items. The negative pledge is an agreement not to grant security over the assets or to set up a vehicle that has the same effect.

Department for Business and Trade – fixed-term loan

On 1 April 2021 Post Office Limited received a £52 million loan. Quarterly principal repayments of £1.75 million are scheduled from the 2023/24 financial year, with a bullet payment of £25.75 million due in March 2027. Interest on the loan is charged at the Central Bank rate plus 0.55% per annum.

16. Provisions

	HSS	OC	SRR	Network Programmes	Property	Other	Total
	£m	£m	£m	£m	£m	£m	£m
At 27 March 2022	172	487	62	15	19	13	768
Charged to investment spend	**-**	**-**	**-**	**-**	**2**	**1**	**3**
Charged to exceptional items	**28**	**56**	**15**	**-**	**-**	**-**	**99**
Charged to trading	**-**	**-**	**-**	**-**	**-**	**11**	**11**
Utilisation	**(61)**	**(13)**	**-**	**(2)**	**(3)**	**(5)**	**(84)**
Provisions released in the year – investment spend	**-**	**-**	**-**	**(4)**	**-**	**(2)**	**(6)**
Provisions released in the year – exceptional items	**(12)**	**(295)**	**(13)**	**-**	**-**	**-**	**(320)**
Provisions released in the year – trading	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Unwinding of discount	**-**	**15**	**-**	**-**	**-**	**-**	**15**
Impact of discounting	**-**	**(6)**	**-**	**-**	**-**	**-**	**(6)**
At 26 March 2023	**127**	**244**	**64**	**9**	**18**	**16**	**478**

	HSS	OC	SRR	Network Programmes	Property	Other	Total
	£m	£m	£m	£m	£m	£m	£m
At 26 March 2023							
Current	**57**	**62**	**19**	**4**	**8**	**15**	**165**
Non–current	**70**	**182**	**45**	**5**	**10**	**1**	**313**
	127	**244**	**64**	**9**	**18**	**16**	**478**
At 27 March 2022							
Current	136	13	30	5	5	12	201
Non–current	36	474	32	10	14	1	567
	172	487	62	15	19	13	768

Remediation Matters related provisions of £435 million (2022: £721 million) includes; £127 million (2022: £172 million) related to the HSS provision which is management's best estimate of future payments to be made to the scheme's claimants, £244 million (2022: £487 million) related to the OC provision which is management's best estimate of potential future payments to be made to claimants who may have or have had convictions overturned and £64 million (2022: £62 million) related to the SRR provision, which is management's best estimate of future payments to be made to both current and former Postmasters who did not receive remuneration during periods of suspension. These provisions are subject to significant management estimation, see the critical accounting estimates section in note 1

UKGI00044323

for further details.

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

Property provisions relate to vacant and onerous contracts, and dilapidations. Vacant and onerous contract provisions are recognised on leasehold properties when the unavoidable costs of meeting the obligations of the contract exceed the benefits expected to be received under it. In accordance with IFRS 16, this only includes business rates and dilapidations costs.

Other provisions of £16 million (2022: £13 million) includes; £6 million (2022: £3 million) for branch cash fraud provision, £3 million (2022: £nil) for stamp loss provision, £1 million (2022: £3 million) for severance costs, £3 million (2022: £3 million) for other network provisions and £3 million (2022: £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 26 March 2023 and 27 March 2022 is shown below:

	2023			2022		
	Current £m	**Non - current £m**	**Total £m**	Current £m	Non - current £m	Total £m
Financial assets						
Trade and other receivables*	**205**	**-**	**205**	**191**	**1**	**192**
Cash and cash equivalents	**550**	**-**	**550**	**367**	**-**	**367**
Financial liabilities						
Trade and other payables*	**(721)**	**(48)**	**(769)**	**(512)**	**(42)**	**(554)**
Interest bearing loans	**(438)**	**(45)**	**(483)**	**(329)**	**(52)**	**(381)**
Net financial liabilities	**(404)**	**(93)**	**(497)**	**(283)**	**(93)**	**(376)**

*Excluding non-financial assets and liabilities.

With the exception of cash, all of the Group's financial assets and liabilities are carried at amortised cost.

The fair value of the Group's financial assets and liabilities approximate their carrying value due to the short-term maturities of these instruments. The fair value of financial assets and liabilities is defined as the amount which the Group would expect to receive upon selling an asset or pay to transfer a liability in a transaction between market participants at the measurement date.

All of the Group's financial assets and liabilities are considered to be Level 2 in the fair value hierarchy. The nature of the inputs used in determining the values of the financial assets and liabilities is those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Group has no Level 1 and Level 3 financial instruments and there have been no transfers between the levels of fair value hierarchy during the period.

b. Financial risk management objectives and policies

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and aims to minimise potential adverse effects on the Group's financial performance.

UKGI00044323

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. Although the Group secured a fixed interest rate with DBT during the year in relation to the working capital facility to protect against rising interest rates, the total interest payable has still increased year on year from the low rates previously seen.

Foreign currency risk

The Group is exposed to foreign currency risk resulting from balances held to operate foreign currency exchange services.

The currencies in which these transactions are primarily denominated are US dollar and Euros. The Group's foreign currency risk management objective is to minimise the impact on the income statement of fluctuations in the exchange rates. The Group hedges its foreign currency risk principally through external forward foreign currency contracts to cover near-term future revenues with a number of providers including First Rate Exchange Services Holdings Limited.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar and Euro exchange rates, assuming they are unhedged and with all other variables held constant, on profit before tax and equity.

	Strengthening / (weakening) % Increase / (Decrease)	Effect on profit £m Increase / (Decrease)	Effect on equity £m Increase / (Decrease)	Strengthening / (weakening) in euro rate % Increase / (Decrease)	Effect on profit before tax £m Increase / (Decrease)	Effect on equity £m Increase / (Decrease)
2023	**10**	**1**	**1**	**10**	**1**	**1**
	(10)	**(1)**	**(1)**	**(10)**	**(1)**	**(1)**
2022	10	1	1	10	1	1
	(10)	(1)	(1)	(10)	(1)	(1)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial credit risk arises from cash balances (including bank deposits and cash and cash equivalents) held by the Group, and business credit risk arises from exposures to customers. Business risk includes commission receivable and client related settlements for amounts paid out of the Post Office network on its behalf.

The Group aims to minimise its financial credit risk through the application of risk management policies approved by the Board. Counterparties are limited to major banks and financial institutions. The policy restricts the exposure to any one counterparty by setting appropriate credit limits. The maximum exposure to credit risk is limited to the carrying value of each class of asset summarised in note 12.

Business credit risk is monitored centrally. The level of bad debt provision is 3% (2022: 3%) of revenue.

Capital management

The Group's objectives when managing capital (defined as the net of borrowings and cash and cash equivalents excluding cash in the Post Office network) are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure in order to support the business and maximise stakeholder value. In managing the Group's capital levels the Board and the GE regularly monitor the level of debt in the Group, the working capital requirements and the forecast cash flows. The Board and GE plan accordingly following this review process in order to meet the Group's capital management objectives.

UKGI00044323

Liquidity risk

The Group's primary objective is to ensure that the Group has sufficient funds available to meet its financial obligations as they fall due. This is achieved by aligning short-term investments and borrowing facilities with forecast cash flows. Typical short-term investments include short-term bank deposits with approved counterparties. Borrowing facilities are regularly reviewed to ensure continuity of funding.

The Group has adequate access to liquidity to meet operating requirements for at least the next 12 months from the date of approval of these financial statements, with the assumption of continued Government support and funding. See the going concern disclosures in note 1 for more detail.

At 26 March 2023 the Group had an unused working capital facility with DBT of £519 million (2022: £621 million). The working capital facility is due to expire on 31 March 2025.

In addition to the security interest provided to DBT in connection with the £950 million Working Capital Facility (note 15), Post Office Limited has also created a first floating charge over its assets as security for the payment and discharge of certain liabilities arising in the normal course of its client-related activity. As at the balance sheet date the outstanding liabilities amounted to £25 million (2022: £31 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 26 March 2023	**Less than 1 year £m**	**Between 1-5 years £m**	**Over 5 years £m**	**Total £m**
Financial assets				
Trade and other receivables*	**205**	**-**	**-**	**205**
Cash and cash equivalents	**550**	**-**	**-**	**550**
Financial liabilities				
Trade and other payables*	**(721)**	**(28)**	**(254)**	**(1,003)**
Interest-bearing loans	**(438)**	**(47)**	**-**	**(485)**
Net financial liabilities	**(404)**	**(75)**	**(254)**	**(733)**

At 27 March 2022	Less than 1 year £m	Between 1-5 years £m	Over 5 years £m	Total £m
Financial Assets				
Trade and other receivables*	191	1	-	192
Cash and cash equivalents	367	-	-	367
Financial Liabilities				
Trade and other payables*	(512)	(22)	(273)	(807)
Interest-bearing loan	(329)	(56)	-	(385)
Total financial liabilities	(283)	(77)	(273)	(633)

* Excluding non-financial assets and liabilities.

UKGI00044323

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 £13 million (2022: £13 million) and the Group contributions to this scheme were £13 million (2022: £12 million) during the year.

Defined Benefit

Post Office has participated in two defined benefit pension schemes:

- 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"). The RMSEPP was bought out in June 2022, as such the disclosures show the extinguishment of the defined benefit obligation along with assumptions up until date of extinguishment. Royal Mail Group Ltd was the principal employer of RMSEPP and Post Office Limited became a participating employer with effect from 1 April 2012 to date of buy-out.

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

The changes include the following:

RMPP

- On 21 March 2017 Post Office executed a Memorandum of Understanding with the Trustee of the RMPP. This clarified the Trustee's powers to distribute surplus without Post Office's agreement and Post Office concluded that it no longer had an unconditional right to refund from the Plan. In light of this, in accordance with IFRIC 14, the RMPP pension surplus was derecognised as at 26 March 2017;
- On 20 July 2017, the Trustee of the RMPP entered into two bulk annuity contracts with Rothesay Life Plc. These contracts are assets of the Post Office Section of the RMPP that provide incomes closely matching the benefit payments from the Plan. The largest of the two contracts is in respect of crystallised benefits and benefits accrued after 31 March 2012. The smaller of the two contracts is in respect of pre-April 2012 for members in Post Office employment at the time of the bulk annuity purchase. The bulk annuities cover the vast majority of the Plan benefits, although uninsured liabilities and costs may arise in relation to increases to the pre-April 2012 benefits arising as a result of certain salary increases in excess of RPI inflation, deflation risk in relation to Section C members (while they remain in Post Office employment, the pre-April 2008 gross benefit revalues with RPI on a year-by- year basis, but revaluation of the deductible is based on cumulative RPI inflation to the date of leaving service), and operational expenses; and
- 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

UKGI00044323

adjustments to individual member benefits. To the extent that the adjustments are known, they have been reflected in the defined benefit obligation shown in these financial statements.

The RMPP is funded by the payment of contributions to separate Trust administered funds. It should be noted that the assumptions used for these pension disclosures are not the same as the assumptions used for funding the plans.

The latest full actuarial funding valuation of the RMPP was carried out as at 31 March 2018 using the projected unit method, concluding at a £24 million surplus on a Technical Provisions basis. Valuations are expected to be carried out triennially; however the next triennial valuation has been delayed and is expected to take place during 2023/24. See note 25 for further details.

RMPP includes sections A, B and C each with different terms and conditions:

- Section A is for members (or beneficiaries of members) who joined before 1 December 1971.
- Section B is for members (or beneficiaries of members) who joined after 1 December 1971 and before 1 April 1987 or to Section A members who chose to receive Section B benefits.
- Section C is for members (or beneficiaries of members) who joined after 1 April 1987 and before 1 April 2008.

The weighted average duration of the Post Office section of the RMPP is around 25 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 26 March 2023) is £196 million (2022: £309 million), compared to the RMPP defined benefit obligation of £202 million (2022: £320 million). The £6 million (2022: £11 million) difference in these figures is due to small differences between the insured benefits and the actual benefit obligation.

RMSEPP

In June 2022, the buy-out of the RMSEPP scheme was completed. The bulk annuity policies held were exchanged for individual policies between insurers and all remaining members. Post Office's obligations under RMSEPP have now been fully extinguished and it is expected that the scheme will be wound up. Disclosures below show the extinguishment of the defined benefit obligation along with assumptions up until date of extinguishment. The scheme holds residual assets, as disclosed below, which are expected to be returned to Post Office following the wind-up of the scheme.

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 have been made. Post Office's share of these payments was 7% of the total.

UKGI00044323

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).

No assumptions have been derived for RMSEPP as at 26 March 2023 given that the scheme was fully bought out in the year and the obligations under RMSEPP fully extinguished.

The major long-term assumptions used in the valuation are as follows:

	At 26 March 2023 % pa	At 27 March 2022 % pa
Increases to benefits that retain a link to pensionable pay	**3.3**	3.7
Rate of pension increases – RMPP sections A/B	**3.0**	3.4
Rate of pension increases – RMPP section C	**3.3**	3.7
Rate of pensions increases – RMSEPP members transferred from Section A or B of RMPP	**-**	3.4
Rate of pension increases – RMSEPP all other members	**-**	3.7
Rate of increase for deferred pensions*	**3.0**	3.4
Discount rate*	**4.7**	2.8
Inflation assumption (RPI) – RMPP & RMSEPP*	**3.3**	3.7
Inflation assumption (CPI) – RMPP & RMSEPP*	**3.0**	3.4

* Assumptions as at 26 March 2023 are derived for RMPP only given that RMSEPP has been fully bought out in the year.

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

	At 26 March 2023 £m	At 27 March 2022 £m
Changes in RPI and CPI inflation of +0.1% pa*	**4**	(8)
Changes in discount rate of +0.1% pa*	**(4)**	8
Changes in CPI assumptions of +0.1% pa*	**2**	5
An additional one-year life expectancy*	**8**	13

* Assumptions as at 26 March 2023 are derived for RMPP only given that RMSEPP has been fully bought out in the year.

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.

UKGI00044323

Mortality: The mortality assumptions used to calculate the value of Post Office's defined benefit obligation in respect of RMPP are based on the latest self-administered pension scheme (SAPS "S2" series) mortality tables as shown in the following table:

Base mortality tables	**2023**	2022
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 2021 Core Projections with a 1.5% pa long-term trend	CMI 2021 Core Projections with a 1.5% pa long-term trend

* Assumptions as at 26 March 2023 are derived for RMPP only given that RMSEPP has been fully bought out in the year.

Average expected life expectancy from age 60	**2023**	2022
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

* Assumptions as at 26 March 2023 are derived for RMPP only given that RMSEPP has been fully bought out in the year.

b) Plans' assets

The assets in the plans for the Group were:

Sectionalised RMPP	**Market value 2023 £m**	Market value 2022 £m
Equities	**10**	19
Private equity	**1**	3
Cash and cash equivalents	**28**	27
Bond/index-linked funds	**13**	14
Other loan/debt funds	**7**	11
Alternative asset funds	**4**	-
Bulk annuity policies*	**196**	309
Fair value of RMPP assets	**259**	383
Present value of RMPP liabilities	**(202)**	(320)
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 2022 £m**	Market value 2021 £m
Cash and cash equivalents	**1**	1
Bulk annuity policy*	**-**	28
Fair value of share in plan assets for RMSEPP	**1**	29
Present value of share in plan liabilities for RMSEPP	**-**	(28)
Surplus in plan for the share of RMSEPP before tax	**1**	1
Tax effect	**-**	-
Surplus in plan for share of RMSEPP after tax	**1**	1

* RMSEPP held a bulk annuity policy with Scottish Widows up until the buy-out of the scheme in June 2022, where the bulk annuity policy was exchanged for individual policies between insurers and all remaining members.

UKGI00044323

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 (2022: £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. Bond/index-linked funds are securities with a quoted price in an active market.

c) Movement in plans' assets and liabilities

Changes in the fair value of the plans' assets are analysed as follows:

RMPP Assets	**Sectionalised RMPP 2023 £m**	Sectionalised RMPP 2022 £m
Assets in recognised RMPP at beginning of period	**383**	400
Contributions paid	**-**	-
Finance income	**9**	7
Actuarial (losses)/gains	**(126)**	(18)
Benefits paid to members	**(6)**	(5)
Administrative expenses	**(1)**	(1)
Assets in recognised RMPP at end of period	**259**	383

RMSEPP Assets	**Share of RMSEPP 2023 £m**	Share of RMSEPP 2022 £m
Share of assets in RMSEPP at beginning of period	**29**	30
Contributions paid	**-**	-
Finance income	**-**	-
Actuarial (losses)/gains	**(6)**	-
Benefits paid to members	**(1)**	(1)
Settlements	**(21)**	
Share of assets in RMSEPP at end of period	**1**	29

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

RMPP Liabilities	**Sectionalised RMPP 2023 £m**	Sectionalised RMPP 2022 £m
Liabilities in recognised RMPP at beginning of period	**(320)**	(343)
Past service cost	**-**	-
Finance cost	**(9)**	(7)
Experience adjustments on liabilities	**(16)**	(2)
Financial assumption changes	**122**	27
Demographic assumption changes	**15**	-
Benefits paid	**6**	5
Liabilities in recognised RMPP at end of period	**(202)**	(320)

UKGI00044323

RMSEPP Liabilities	Share of RMSEPP 2023 £m	Share of RMSEPP 2022 £m
Share of liabilities in RMSEPP plans at beginning of period	**(28)**	(29)
Finance cost	**-**	-
Experience adjustments on liabilities	**-**	-
Financial assumption changes	**6**	-
Demographic assumption changes	**-**	-
Benefits paid	**1**	1
Settlements	**21**	-
Share of liabilities in RMSEPP at end of period	**-**	(28)

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 2023 £m	Sectionalised RMPP 2022 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged to investments:		
Administration expenses incurred	**1**	1
Loss due to curtailments	**-**	-
Total charge to operating profit	**1**	1
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	**9**	7
Interest income on plan assets	**(9)**	(7)
Net pensions credit to financing	**-**	-
Net charge to the income statement	**1**	1
Analysis of amounts recognised in the statement of comprehensive income		
Actual loss on plan assets	**(117)**	(11)
Less expected interest income on plan assets	**(9)**	(7)
Actuarial losses on assets (all experience adjustments)	**(126)**	(18)
Actuarial gains arising from changes in demographic assumptions	**15**	-
Actuarial gains arising from changes in financial assumptions	**122**	27
Actuarial losses arising from experience adjustments	**(16)**	(2)
Actuarial gains on liabilities	**121**	25
Effect of the asset ceiling	**6**	(6)
Total actuarial gains recognised in the statement of comprehensive income	**1**	1

UKGI00044323

e) Recognised charges (continued)

RMSEPP	**Share of RMSEPP 2023 £m**	Share of RMSEPP 2022 £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	**(6)**	(1)
Less: expected interest income on plan assets	**-**	-
Actuarial losses on assets (all experience adjustments)	**(6)**	(1)
Actuarial gains arising from changes in demographic assumptions	**-**	-
Actuarial gains arising from changes in financial assumptions	**6**	1
Actuarial gains on liabilities	**6**	1
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	**-**	-

UKGI00044323

19. Equity

Share capital

	2023 £	2022 £
Authorised		
Ordinary shares of £1 each	**51,000**	51,000
Total	**51,000**	51,000
Allotted and issued and fully paid		
Ordinary shares of £1 each	**50,005**	50,005
Total	**50,005**	50,005

Share premium

There was no share issue in 2022/23. In 2021/22, two ordinary shares were issued in return for £125 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy (now known as DBT). A share premium of £125 million resulted from this subscription.

Other reserves

Other reserves of £2 million (2022: £2 million) relates to First Rate Exchange Services Holdings Limited, the joint venture entity.

20. Commitments, contingent liabilities and contingent assets

Capital commitments contracted for but not yet provided in the financial statements amount to £13 million (2022: £3 million).

Leases

Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	2023 £m	2022 £m
Short leasehold buildings	**23**	25
Long leasehold buildings	**16**	15
Plant & machinery	**8**	2
Motor vehicles	**2**	-
Impairment (see note 10)	**(49)**	-
Total	**-**	42

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).

UKGI00044323

Lease liabilities	2023 £m	2022 £m
Current	**10**	11
Non-current	**48**	42
Total	**58**	53

Additions to right-of-use assets during the 2022/23 financial year, before impairment, totalled £26 million (2022: £17 million) and disposals were £1 million (2022: £2 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	2023 £m	2022 £m
Short leasehold buildings	**7**	10
Long leasehold buildings	**2**	-
Motor vehicles	**2**	1
Plant and machinery	**1**	-
Total	**12**	11
Interest expense (included in finance cost)	**2**	2

The total cash outflow for leases in 2022/23 was £15 million (2022: £13 million).

Income from sub-leased right-of-use assets was £2 million (2022: £3 million) in the year and has been recognised as a credit to costs.

Contingent liabilities

Taxation

As at the balance sheet date the Company was engaged in discussions with HMRC regarding potential taxation liabilities that could arise in relation to past events but for which no liability has currently been recognised. The outcomes of the ongoing discussions with HMRC represent possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

While the Directors recognise that an adverse outcome could be material, they are currently unable to determine whether the outcome of the discussions would have a material adverse impact on the consolidated position of the Group and are unlikely to be able to do so until the discussions with HMRC are substantially concluded. The Directors continue to keep this under close review.

Postmaster Remediation – Post Office process review

As part of the ongoing review of operational process and policies it has been identified that some historical operational issues may have impacted Postmasters financially. On 8 November 2023 the Group and DBT made announcements regarding the Group's intention to create a review to compensate those Postmasters affected. This announcement is deemed a triggering event for a liability and therefore it is expected that a liability, contingent or realised, will be disclosed in the year ended 31 March 2024. No disclosure of a contingent liability is required in the current financial year, however the Directors are including this statement for transparency and have included further details in the Post Balance Sheet Events disclosure in note 25.

Contingent assets

Government funding

At the balance sheet date, Government funding of up to £780 million (2022: £780 million) in respect of OC, £233 million (2022: £233 million) in respect of HSS and £116m (2022: £nil) in respect of SRR has been agreed.

The contingent asset has not been recognised as a receivable due to the current significant estimation uncertainty associated with settlement cashflows. The Group will recognise an asset only when the quantum for each specific claim settlement becomes virtually certain.

21. Related party disclosures

Joint venture

The following Company is a joint venture of the Group:

Company	Country of incorporation	% Holding	Principal activities
First Rate Exchange Services Holdings Limited	United Kingdom	50	Foreign currency exchange

All shareholdings are equity shares. Summarised financial information for the joint venture is included in note 11.

Related party transactions

During the year the Group entered into transactions with the following related parties. The transactions were in the ordinary course of business. The transactions entered into and the balances outstanding at the financial year-end were as follows:

	Sales / recharges to related party		Purchases / recharges from related party		Amounts owed from related party including outstanding loans		Amounts owed to related party including outstanding loans	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
First Rate Exchange Services Holdings Limited	**38**	26	**108**	44	**3**	2	**6**	6

The sales to and purchases from related parties are made at normal market prices. Balances outstanding at the year-end are unsecured and interest-free and settlement is made by cash. First Rate Exchange Services Holdings Limited is a joint venture of the Group.

The Group trades with numerous Government (UK Government) bodies on an arm's length basis, such as the DWP, the DVLA and the Home Office. The Group takes the exemption available to Government controlled entities not to disclose transactions with other entities controlled by Government, or where Government has significant influence over that entity.

Separately, the Group discloses significant transactions with Government related entities:

- The Group has certain loan facilities of £1,000 million (2022: £1,000 million) with Government (page 108). This is made up of the £950 million (2022: £950 million) working capital facility and the £50 million (2022: £50 million) same day facility.
- The Group has recognised funding for exceptional items from Government of £13 million (2022: £6 million), all of which is recognised through the income statement and shown in note 4;
- The Group has received the Network Subsidy Payment of £50 million (2022: £50 million) from Government (page 88); and

UKGI00044323

- The Group has received investment funding of £75 million (2022: £nil) from Government, all of which is recognised through the income statement and shown in note 5.

Key management personnel

Key management personnel comprises the Executive and Non-Executive Directors of the Post Office Limited Board. The remuneration of the key management personnel of the Post Office Group is disclosed in note 6 and in the Remuneration Committee Chair's Statement on pages 37 to 38.

Entities controlled by key management personnel

During the year, the Group entered into transactions with entities controlled by key management personnel:

	2023 **£'000**	2022* £'000
Purchases from entities controlled by key management personnel	**1,672**	1,212

*Entities controlled by key management personnel became related parties part way through 2021/22. Consequently, transactions have been disclosed from the point that they became related parties.

The following trading balances are outstanding at the balance sheet date in relation to entities controlled by key management personnel:

	2023 **£'000**	2022 £'000
Trade and other receivables	**27**	45
Trade and other payables	**(143)**	(132)

UKGI00044323

22. Membership of the Bank of England's Note Circulation Scheme

Post Office Limited is a member of the Bank-of-England ("BOE") Note Circulation Scheme ("NCS") which governs the custody of BOE notes that are not in issue. The NCS promotes efficiency in the distribution and processing of notes by allowing approved commercial organisations engaged in the wholesale distribution and processing of cash, such as Post Office Limited, to hold notes owned by the BOE.

The continued participation in the NCS ensures that Post Office Limited has an adequate supply of notes to meet customer demand across its network.

The NCS mechanisms that enable Post Office Limited to hold Bank of England owned notes comprise two elements:

Bond Facility Cash ("Bond") – this is cash that is permanently owned by the BOE and is stored in secure vaults at Post Office Limited cash centres, physically separate from other cash. Post Office Limited buys cash from and sells cash to the Bond.

Note Recirculation Facility Cash ("NRF") – this is cash that is held securely, either in Post Office NCS cash centres or in the branch network and that is sold to the BOE at the end of each day with a commitment from Post Office Limited to buy it back the next morning. In order to sell notes in this way to the BOE, Post Office Limited must ensure that gilts are lodged each night as collateral. Post Office Limited's ability to sell notes to the BOE under the NRF is constrained by:

a) The amount of eligible notes available for sale;
b) The collateral available; and
c) An annual limit imposed by the BOE dependent upon the volume of notes sorted and issued from Post Office cash centres.

During 2020/21, BOE relaxed one of its rules over the use of the NRF. The change allows Post Office Limited to over-borrow against the annual limit historically imposed but retains the daily facility limit. The impact is that Post Office Limited can borrow more against NRF and reduce borrowings on the working capital facility. BOE confirmed that at least six months' notice would be given before this amendment is reversed or revised.

In order to support its participation in the NCS, Post Office Limited has bank facilities with NatWest of up to £350 million in place ("Facilities"), comprising:

a) An overnight collateral facility.
b) An intra-day overdraft facility.

The Facilities may be cancelled by the lender with 60 days' notice.

As at 26 March 2023 £202 million (2022: £322 million) of NRF cash was held in this way and has not been recognised in the balance sheet.

UKGI00044323

23. Alternative performance measures

An alternative performance measure is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Trading profit

Trading profit is one of the Group's key financial measures in the view of the Directors as it shows the underlying performance of the Group. It is calculated by taking operating profit or loss before exceptional items, depreciation, amortisation, impairment, investments and Network Subsidy Payment. The table below summarises the calculation of operating loss before exceptional items, trading profit including Network Subsidy Payment and trading profit.

	2023 £m	2022 £m
Operating loss	**(54)**	(124)
Adjusted for:		
Exceptional items (note 4)	**(135)**	90
Funding for exceptional items (note 4)	**(13)**	(6)
Operating loss before exceptional items	**(202)**	(40)
Depreciation and Amortisation (notes 9 and 10)	**84**	104
Investment funding (note 5)	**(75)**	-
Investment spend (excluding interest) (notes 5 and 21)	**38**	28
Impairment of fixed assets assets (see notes 5 and 9)	**255**	-
Trading profit including Network Subsidy Payment (adjusted EBITDA)	**100**	92
Network Subsidy Payment	**(50)**	(50)
Trading profit (EBITDAS)	**50**	42

Net debt

Net debt is an alternative performance measure disclosed in the financial statements and has been reconciled in note 24.

UKGI00044323

24. 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).

	2023 £m	2022 £m
Loss for the financial year	**(76)**	(130)
Investment spend	**38**	28
Investment funding	**(75)**	-
Exceptional items	**(135)**	90
Funding for exceptional items	**(13)**	(6)
Finance costs	**27**	7
Taxation credit	**(5)**	(1)
Operating (loss) before investment spend and exceptional items	**(239)**	(12)

Net debt

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

	28 March 2022 £m	**Financing cash flows £m**	**New leases £m**	**Other non-cash changes £m**	**26 March 2023 £m**
Cash and cash equivalents	**367**	**183**	**-**	**-**	**550**
Borrowings	**(381)**	**(102)**	**-**	**-**	**(483)**
Lease liabilities	**(53)**	**15**	**(18)**	**(2)**	**(58)**

	29 March 2021 £m	Financing cash flows £m	New leases £m	Other non-cash changes £m	27 March 2022 £m
Cash and cash equivalents	365	2	-	-	367
Borrowings	(426)	45	-	-	(381)
Lease liabilities	(51)	13	(17)	2	(53)

UKGI00044323

25. Post balance sheet events

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

Network Subsidy and Investment costs funding receipts

Between the balance sheet date and the date of signing these financial statements Post Office has received payments from DBT in relation to Network Subsidy Payments and Investment funding. £37.5 million has been received in respect of Network Subsidy Payments and £90 million in relation to investment funding. This is in line with the agreements in place.

Funding for Remediation Matters and POHIT Inquiry running costs

On 29 November 2023 the SAU published its report regarding the application of the Subsidy Control Act 2022 in relation to Government's intention to provide Post Office with £149 million of additional funding to cover the ongoing running costs of all aspects of the Remediation Matters, including OC, HSS and SRR, in addition to the operational costs of complying with the POHIT Inquiry. Following the completion of the statutory five-day cooling-off period, and in line with the Letter of Support provided by the Shareholder, a funding commitment from the Shareholder to Post Office is being formalised and is expected to be provided after the signing of these financial statements. Further details regarding the funding are included in the going concern section within note 1 of the accounts.

Funding for the Horizon replacement programme

On 7 December 2023 the SAU published its report regarding the application of the Subsidy Control Act 2022 in relation to the additional £103 million of funding to be provided by the Shareholder to the Group in relation to the ongoing work to replace the Horizon IT system. The Subsidy Control Act 2022 requires a five-day cooling-off period between the publication of the SAU's report and any formal commitment on funding. However, the Group is in receipt of a Letter of Support which outlines the Shareholder's intention to provide the funding subject to the report of the SAU and as such Post Office expects a funding agreement to be formalised after the signing of these financial statements. Further details regarding the funding are included in the going concern section within note 1 of the accounts.

Postmaster Remediation – Post Office process review

As part of the ongoing review of operational process and policies, it has been identified that some historical operational issues may have impacted Postmasters financially. On 8 November 2023 the Group announced, on its corporate website, that it planned to establish a review to provide redress to Postmasters affected. On the same date the Government announced its intention to support the Group with funding to cover the cost of compensation for Postmasters affected by issues identified. The funding is subject to compliance with subsidy control requirements, including referral to the Subsidy Advice Unit (part of the Competition and Markets Authority) under the Subsidy Control Act 2022. The announcements of an intention to create a review to compensate those Postmasters affected is deemed a triggering event for a liability and therefore it is expected that a liability, contingent or realised, will be disclosed in the year ended 31 March 2024. At this point in time it is not possible to accurately estimate the potential liability that may arise as a result of this process. There was no legal or constructive obligation in respect of these matters as at the balance sheet date.

RMPP triennial valuation

The RMPP underwent its latest full actuarial funding valuation in 2018. In normal circumstances, valuations are expected to be carried out triennially, however the March 2021 valuation was delayed. The process to finalise the valuation is currently in progress, and it is expected to be completed by 31 December 2023. The preliminary draft results of the valuation have been reviewed, and it is not expected that there will be any change to the current accounting or balance sheet restriction in place. As such, this has been concluded to be a non-adjusting post balance sheet event.

UKGI00044323

26. Ultimate controlling party

The Secretary of State for the Department for Business and Trade ("DBT"), formerly Business, Energy & Industrial Strategy ("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. DBT, through UK Government Investments Limited ("UKGI"), has no day to day involvement in the operations of Post Office Limited or in the management of its branch network and staff. As such, at 26 March 2023, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. DBT is the ultimate controlling party.

The parent undertaking of the smallest and largest Group to consolidate the results of the Company is Post Office Limited, a company registered in the United Kingdom. Post Office Limited financial statements can be obtained from 100 Wood Street, London, EC2V 7ER.

UKGI00044323

Post Office Limited

Company Financial Statements 2022/23

UKGI00044323

Company balance sheet

at 26 March 2023 and 27 March 2022

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	3	**-**	128
Property, plant and equipment	4	**8**	125
Investment in subsidiaries	5	**43**	43
Investments in joint venture	6	**75**	49
Retirement benefit surplus	12	**1**	1
Trade and other receivables	7	**4**	4
Total non-current assets		**131**	350
Current assets			
Inventories		**-**	1
Trade and other receivables	7	**278**	274
Cash and cash equivalents	8	**524**	346
Total current assets		**802**	621
Total assets		**933**	971
Current liabilities			
Trade and other payables	9	**(743)**	(520)
Financial liabilities – interest-bearing loans and borrowings	10	**(438)**	(329)
Provisions	11	**(162)**	(199)
Total current liabilities		**(1,343)**	(1,048)
Non-current liabilities			
Other payables	9	**(48)**	(42)
Financial liabilities – interest-bearing loans and borrowings	10	**(45)**	(52)
Provisions	11	**(312)**	(566)
Total non-current liabilities		**(405)**	(660)
Net liabilities		**(815)**	(737)
Equity			
Share capital	13	**-**	-
Share premium	13	**590**	590
Accumulated losses		**(1,407)**	(1,329)
Other reserves	13	**2**	2
Total equity		**(815)**	(737)

The notes on pages 132 to 144 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 £79 million (2022: £142 million loss). The financial statements on pages 130 to 144 were approved by the Board of Directors on 11 December 2023 and signed on its behalf by:

GRO

N Read
Chief Executive Officer

UKGI00044323

Company statement of changes in equity

for the 52 weeks ended 26 March 2023 and 52 weeks ended 27 March 2022

	Notes	Share Capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 28 March 2022		**-**	**590**	**(1,329)**	**2**	**(737)**
Loss for the year		**-**	**-**	**(79)**	**-**	**(79)**
Re-measurements on defined benefit surplus	12	**-**	**-**	**1**	**-**	**1**
At 26 March 2023		**-**	**590**	**(1,407)**	**2**	**(815)**

	Notes	Share Capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	**Total equity £m**
At 29 March 2021		-	465	(1,188)	2	(721)
Loss for the year		-	-	(142)	-	(142)
Share issue	13	-	125	-	-	125
Re-measurements on defined benefit surplus	12	-	-	1	-	1
At 27 March 2022		**-**	**590**	**(1,329)**	**2**	**(737)**

UKGI00044323

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 26 March 2023.

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 26 March 2023 (2022: 52 weeks ended 27 March 2022).

Authorisation of financial statements

The parent Company financial statements of Post Office Limited (the "Company") for the year ended 26 March 2023 were authorised for issue by the Board of Directors on 11 December 2023 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 145.

Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS" 101). These financial statements are prepared under the historical cost convention. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006 Post Office Limited has not presented its own income statement.

The results of Post Office Limited are included in the consolidated financial statements of Post Office Limited which are available from Companies House.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) The requirements of IFRS 7 'Financial Instruments: Disclosures',

(b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,

(c) The requirements of paragraphs 10(d), 10(f), 39(c), 40.A and 134-136 of IAS 1 'Presentation of Financial Statements',

(d) The requirements of IAS 7 'Statement of Cash Flow's,

(e) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors',

(f) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures', and

(g) The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Basis of preparation – going concern (material uncertainty)

Having reviewed the expected future cash flows and given careful consideration to the likelihood of the continued support of Government, the Directors are satisfied that the Company is expected to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern position, the Board has considered the Company's financial forecasts for the 15 months from the date of approval of these financial statements, including forecasting a severe but plausible

UKGI00044323

downside scenario, and has placed significant reliance on a Letter of Support provided by its Shareholder (Department for Business and Trade, "DBT"), details of which are outlined below.

Over recent years the Company had become profitable at a trading level with trading profit peaking in 2019/20. As a result of the Covid-19 pandemic, 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 trading profits achieved by the Company in recent years have declined and continue to come under pressure. It is anticipated this trend will continue, with inflationary cost pressures, the requirement to run a network in line with Government requirements and changes in customer trends leading to a likely deterioration in trading profit over the going concern period and beyond.

The Government continues to provide investment funding, subsidy payments and working capital facilities to the Company. However, the forecasted decline in trading profit places a renewed focus on the importance of these funding streams and the continued support of Government, with the Company unable to fund the significant investment and exceptional costs it anticipates incurring over the going concern period and beyond, which are wholly necessary to ensure the continued existence of Post Office, through profit generation.

Most notably the costs of continuing to support the POHIT Inquiry have increased considerably since the POHIT Inquiry took on a statutory footing and the expected timescales elongated. Similarly, the operational running costs of the Remediation Matters items, including HSS, OC and SRR, to ensure the wrongs of the past are rectified, continue to rise as the schemes and activities progress and develop. Linked to these, the Company continues to progress with replacing the ageing Horizon IT system, which is a significant undertaking, both operationally and financially.

For the Company to continue to meet its liabilities as they fall due and continue to deliver on these fundamentally important activities, continued funding and support is required from the Government. Without additional funding and support being provided by the Government, to fund the exceptional and investment activities identified above, including the costs to support the POHIT Inquiry, run the Remediation Matters activities and replace the Horizon system, the Company forecasts breaching the terms of the Working Capital Facility provided by DBT. The Company forecasts breaching its Security Headroom covenant, which is a restrictive covenant within the Working Capital Facility provided by its Shareholder, within the Going Concern period. Furthermore the Working Capital Facility would need to be used for purposes other than that for which it was originally intended, being short term liquidity, and would also become fully exhausted, resulting in the Company being unable to meet its liabilities as they fall due.

Letter of Support

In order to ensure the Company can continue to operate, deliver on the fundamental activities described above and meet its liabilities as they fall due, the Shareholder has issued a Letter of Support indicating the Government's intention to provide additional funding and support to the Company. Subsequent to the Balance Sheet date but prior to signing these financial statements, the Shareholder has provided waivers of both the Security Headroom covenant and the usage clause of the Working Capital Facility, which will come into effect as required until the end of July 2024, by which time the Government intends to have provided additional funding. These waivers ensure the Company can continue to maintain access to this source of liquidity in the event that additional funding is not in place by the time breaches could occur. Government has also committed to continue to engage with the Company to assess the need for an extension to the current waiver period should that be necessary, with forecasts indicating a breach in Security Headroom will occur in the going concern period unless additional funding beyond that outlined below is forthcoming.

Due to the nature of Government funding and the associated processes required to be completed prior to its commitment and receipt, the additional funding expected to be provided by Government, which will enable the Company to meet its liabilities as they fall due, is at varying stages of progress. Additional funding of £149 million has been approved by the Government but is not yet contractually committed. This funding is needed in part to enable Post Office to continue to operate the Remediation Matters activities and support the POHIT Inquiry, by funding the expected running costs of these activities out to March 2025 or their end date, whichever is sooner. Further funding of £103 million has been approved in principle by the Shareholder and His Majesty's Treasury

UKGI00044323

("HMT") and a referral was made in line with the Subsidy Control Act 2022 to the Subsidy Advice Unit ("SAU") of the Competition and Markets Authority ("CMA"). The SAU report was published on 7 December 2023 and there is then a statutory five-day cooling-off period in place before any contractual commitment can be made. This funding is therefore yet to be contractually committed to by Government. This further funding is required to enable the Company to continue activities in relation to the replacement of the Horizon system. Additional longer-term funding will also be required from Government in order to complete the Horizon replacement activity, but this initial funding will enable activity to continue in the short term whilst longer term plans are established.

As stated in the key accounting estimates section in note 1 of the financial statements, there remains significant estimation uncertainty over the £435 million of provisions associated with the Remediation Matters, in addition to the potential for further liabilities to arise in relation to the Post Office process review which is underway and is disclosed in the post balance sheet events review section in note 25 to the consolidated financial statements. Funding agreements are in place for the OC, HSS and SRR, which are in excess of the forecasted payment levels, however, given the estimation uncertainty, there is potential for the payments to impacted individuals to exceed funding commitments, in which case additional funding from Government would be required. A funding commitment is also in place regarding potential liabilities that may arise in relation to the Post Office process review, however this is subject to the application of the Subsidy Control Act 2022, the referral process to the SAU and consideration of the SAU report, see note 25 to the consolidated financial statements for further details. In addition, the Shareholder recognises that the Company faces other financial risks (including certain taxation-related risks as disclosed in the contingent liabilities section in note 20 to the consolidated financial statements) that, were they to crystallise, may result in it not being able to meet its liabilities as they fall due.

Given the above, the Shareholder has provided a Letter of Support which has been relied upon by the Board when making its assessment of whether the Company remains a going concern. The letter confirms that the Shareholder intends to continue to provide financial support to the Company to enable it to meet its liabilities as they fall due for a period of no less than 15 months from the date of signing the 2022/23 financial statements.

The Shareholder's Letter of Support does not constitute a financial guarantee however, and it includes certain caveats making clear that any funding is subject to both HMT consent and the application of the Subsidy Control Act 2022, namely referral to the Subsidy Advice Unit of the CMA and consideration of the SAU's report, which is outside the control of the Group and the Shareholder. These processes have been concluded in respect of £252 million of requested funding, however, at the time of approving these financial statements this funding is not yet contractually committed by the Shareholder and required covenant waivers beyond July 2024 are not guaranteed. Whilst there is no indication that the funding and support will not be forthcoming, the absence of guaranteed committed funding and support at the date of authorisation of the financial statements represents a material uncertainty which may cast significant doubt about the Group's and 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 financial statements.

Accounting policies

The following accounting policies are consistent with those of the Group as detailed in note 1 of the Group financial statements:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 16 Leases.
- Critical accounting estimates and judgements in applying accounting policies.
- Other income.
- Leases.
- Taxation.

UKGI00044323

- Investments in joint venture.
- Property, plant and equipment.
- Intangible assets.
- Inventories.
- Trade receivables.
- Cash and cash equivalents.
- Pensions and other post-retirement benefits.
- Foreign currencies.
- Provisions.
- Derivatives and hedging activities.

Accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Auditors' remuneration

The remuneration paid to auditors is disclosed in the Group financial statements (note 4).

Directors' emoluments

The emoluments paid to Directors are disclosed in the Group financial statements (note 6). Directors for the Company are the same as Group.

Investments in subsidiaries

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

Amounts owed by group undertakings

Amounts owed by group undertakings are recognised and carried at original transaction value and subsequently at amortised cost, less any expected credit losses.

Critical accounting estimate:

Key assumptions used in impairment tests for investments in subsidiaries

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

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

Where appropriate, an impairment loss is recognised in the income statement for the amount by which the carrying value of the investment exceeds its recoverable amount. 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 two-year financial forecasts approved by management, factoring in current economic circumstances and challenges such as rising inflation. Where applicable, cash flows beyond this period are extrapolated using estimated growth rates. Refer to note 4 for the results of the latest impairment tests.

UKGI00044323

2. People costs and numbers

Employment and related costs were as follows:

People costs	2023 £m	2022 £m
Wages and salaries	**155**	130
Social security costs	**16**	14
Other pension costs (note 12)	**14**	13
Total people costs	**185**	157

Period end and average employee numbers were as follows:

	Period end employees		Average employees	
	2023	2022	**2023**	2022
Total employees	**3,486**	3,275	3,396	3,303

Total employee numbers can be categorised as follows:

	Period end employees		Average employees	
	2023	2022	**2023**	2022
Administration	**1,419**	1,258	**1,351**	1,215
Directly managed branches ("DMB")	**1,269**	1,242	**1,258**	1,316
Supply Chain	**798**	775	**786**	772
Total	**3,486**	3,275	**3,395**	3,303

UKGI00044323

3. Intangible assets

	Software £m	Total £m
Cost		
At 28 March 2021	537	537
Additions	43	43
Disposals	(61)	(61)
At 27 March 2022	**519**	**519**
Reclassification*	**1**	**1**
Additions	**49**	**49**
Disposals	**(34)**	**(34)**
At 26 March 2023	**535**	**535**
Accumulated amortisation and impairment		
At 28 March 2021	400	400
Amortisation	52	52
Disposals	(61)	(61)
At 27 March 2022	**391**	**391**
Amortisation	37	37
Impairment	141	141
Disposals	(34)	(34)
At 26 March 2023	**535**	**535**
At 26 March 2023	**-**	**-**
At 27 March 2022	128	128

* During the current year, reviews of 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.

Included within software in the above table are assets under construction with a net book value of £nil (2022: £61 million).

Goodwill and intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

An impairment assessment was carried out at the cash generating unit ("CGU") level resulting in an impairment of intangible assets totalling £110 million (2022: £nil), driven by the forecast loss making position. In addition, a decision was made to discontinue an IT project that was part of a transformational programme to move existing software onto cloud infrastructure. As a result, an impairment of £31 million (2022: £nil) was recognised due to the associated assets no longer having any economic benefit.

Amortisation rates are disclosed on page 91 within the Group accounting policies note.

UKGI00044323

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 28 March 2021	31	46	56	27	2	826	988
Reclassification*	-	(9)	9	-	-	-	-
Additions	1	1	1	-	-	11	14
Right-of-use additions	-	2	14	-	1	-	17
Disposals	(4)	(1)	(1)	(2)	-	(7)	(15)
Right-of-use disposals	-	(2)	-	-	-	-	(2)
At 27 March 2022	**28**	**37**	**79**	**25**	**3**	**830**	**1,002**
Reclassification*	-	-	-	-	-	(1)	(1)
Additions	-	-	1	1	-	11	13
Right-of-use additions	-	8	8	3	7	-	26
Disposals	(1)	-	-	-	-	(21)	(22)
Right-of-use disposals	-	(5)	(2)	(1)	-	-	(8)
At 26 March 2023	**27**	**40**	**86**	**28**	**10**	**819**	**1,010**
Accumulated depreciation and impairment							
At 28 March 2021	22	12	31	24	1	752	842
Reclassification *	-	(5)	5	-	-	-	-
Depreciation	1	4	1	-	-	30	36
Right-of-use asset	-	-	10	1	-	-	11
Disposals	(3)	-	-	(2)	-	(7)	(12)
Right-of-use disposals	-	-	-	-	-	-	-
At 27 March 2022	**20**	**11**	**47**	**23**	**1**	**775**	**877**
Depreciation	-	1	3	1	-	24	29
Right-of-use asset depreciation	-	2	7	2	1	-	12
Disposals	(1)	-	-	-	-	(21)	(22)
Right-of-use disposals	-	-	-	(1)	-	-	(1)
Impairment	-	26	29	3	8	41	107
At 26 March 2023	**19**	**40**	**86**	**28**	**10**	**819**	**1,002**
Net book value							
At 26 March 2023	**8**	**-**	**-**	**-**	**-**	**-**	**8**
At 27 March 2022	8	26	32	2	2	55	125

*During the current year, reviews of 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.

UKGI00044323

Depreciation rates are disclosed on page 90 within the Group accounting policies note. No depreciation is provided on freehold land, which represents £1 million (2022: £1 million) of the total cost of freehold land and buildings.

Included within fixtures and equipment in the above table are assets under construction with a net book value of £nil (2022: £4 million).

Included within the table above are right-of-use assets with a net book value of £nil (2022: £42 million), having been impaired as part of the CGU impairment assessment. The net book value and split between categories, prior to impairment, has been disclosed in note 20 in the Group financial statements.

During the current year, a review of property, plant and equipment and intangible assets took place and resulted in reclassifications between categories to give a more appropriate representation of the nature of the assets.

An impairment test was performed during the year, in accordance with IAS 36. Non-current assets were tested for impairment by comparing the carrying amount of the cash generating unit ("CGU"), being Post Office Limited to its recoverable amount. The recoverable amount is determined based on the higher of an asset or CGU's value in use and, where supportable, fair value less cost of disposal ("FVLCOD").

The discounted net cash flows from the value in use calculations were used to determine the recoverable amount of the CGU. Board approved cash flow projections which cover the two-years to March 2025 have been used as the basis of the value in use calculation. Cash flows have been extended a further year to March 2026, based on current observable trends and management expectations, removing any significant one-off items. The terminal value calculation applies no (2022: nil) nominal growth rate, based on management's best estimate, taking into account market and operational experience, of the expected long-term market growth rate.

A pre-tax discount rate for Post Office Limited CGU of 10.3% (2022: 8.7%) has been used to discount the forecasted cash flows. The increase in discount rate is primarily driven by the risk-free rate increase.

A key assumption with the Post Office Limited CGU impairment review is that Network Subsidy Payments ("NSP") which are received from Government to contribute to the costs of Post Office making available the network of public post offices that the Secretary of State for DBT considers appropriate, will continue into perpetuity.

The analysis performed indicates the carrying value of the assets of the Post Office Limited CGU exceed the recoverable amount based on the forecast loss making position, when ignoring future capital expenditure and investment plans, which have been excluded from the value in use calculation in accordance with IAS 36. Consequently, a partial impairment of the CGU has been recognised, incurring an impairment charge of £217 million (2022: £nil). This includes £110 million (2022: £nil) related to intangible assets and £107 million (2022: £nil) related to property, plant and equipment. The joint venture investment and freehold land and buildings, which are part of the CGU, have not been impaired on the basis that the FVLCOD of these individual assets exceeds the carrying value. No other assets are deemed to have a FVLCOD.

5. Investments in subsidiaries

The carrying value of £43 million (2022: £43 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 (2022: £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.

In 2021/22 the investment held by the Company in Payzone Bill Payments Limited, a 100% subsidiary of the Company with one share at a nominal value of £1, was fully impaired, resulting in a carrying value of £nil in both the current year and prior year. The original carrying value of the investment was £19 million.

The registered address of both Post Office Management Services Limited and Payzone Bill Payments Limited is 100 Wood Street, London EC2V 7ER.

UKGI00044323

6. Investments in joint venture

	2023 £m	2022 £m
Investment in joint ventures	**75**	49
Total net investment at 26 March 2023, 27 March 2022	**75**	49

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 £75 million (2022: £49 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.

An impairment assessment was carried out in accordance with IAS 36 in relation to the joint venture investment in FRESH, which forms part of the Post Office Limited CGU. In assessing whether the joint venture investment was impaired, the carrying value of the Post Office Limited CGU, was compared to its value in use, which indicated a full impairment of the CGU. A separate assessment was then carried out at the individual asset level using the FVLCOD methodology to determine recoverable amount. The FVLCOD assessment resulted in a recoverable amount in excess of the carrying value of the asset. As such, no impairment (2022: £nil) was recognised in respect of the joint venture investment. See note 4 for further details in respect of the CGU impairment assessment.

7. Trade and other receivables

	2023 £m	2022 £m
Current:		
Trade receivables	**77**	67
Amounts owed by Group undertakings	**10**	16
Accrued income	**61**	58
Prepayments	**19**	19
Client receivables	**98**	103
Other receivables	**13**	11
Total	**278**	274
Non-current:		
Accrued income	**4**	3
Other receivables	**-**	1
Total	**4**	4

The Company applies IFRS 9 when measuring expected credit losses. The Company has assessed all relevant assets and concluded that expected credit losses are not material in both the current and prior year, with the exception of trade receivables and amounts owed by Group undertakings. Trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses.

UKGI00044323

The loss allowance for the current and prior year has been determined as follows:

26 March 2023	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	93%	
Gross carrying amount - £m	70	2	3	30	105
Loss allowance - £m	**-**	**-**	**-**	**28**	**28**

27 March 2022	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%	95%	
Gross carrying amount - £m	64	1	1	22	88
Loss allowance - £m	-	-	-	21	21

There is a loss allowance in the current, more than 30 days and more than 60 days ageing categories, however it is immaterial for disclosure.

Amounts owed by Group undertakings have been assessed in accordance with IFRS 9 and an expected credit loss of £14 million (2022: £7 million) has been recognised.

8. Cash and cash equivalents

	2023 £m	2022 £m
Cash in the Post Office Limited network	**522**	342
Short-term bank deposits	**2**	4
Total	**524**	346

UKGI00044323

9. Trade and other payables

	2023 £m	2022 £m
Current:		
Trade payables	**57**	56
Amounts owed to group undertaking	**1**	-
Accruals	**127**	100
Deferred income	**42**	22
Social security	**6**	6
Client payables	**492**	315
Lease liabilities	**10**	11
Capital payables	**8**	10
Total	**743**	520
Non-current:		
Lease liabilities	**48**	42
Total	**48**	42

10. Financial liabilities – interest bearing loans and borrowings

	2023 £m	2022 £m
Current:		
Department for Business and Trade – facility	**431**	329
Department for Business and Trade – fixed term loan	**7**	-
Total	**438**	329
Non-current:		
Department for Business, Energy and Industrial Strategy – fixed term loan	**45**	52
Total	**45**	52

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

UKGI00044323

11. Provisions

	HSS £m	OC £m	SRR £m	Network Programmes £m	Property £m	Other £m	Total £m
At 27 March 2022	172	487	62	15	19	10	765
Charged to investment spend	-	-	-	-	2	1	3
Charged to exceptional items	28	56	15	-	-	-	99
Charged to trading	-	-	-	-	-	8	8
Utilisation	(61)	(13)	-	(2)	(3)	(2)	(81)
Provisions released in the year – investment spend	-	-	-	(4)	-	(2)	(6)
Provisions released in the year – exceptional items	(12)	(295)	(13)	-	-	-	(320)
Provisions released in the year – trading	-	-	-	-	-	(3)	(3)
Unwinding of discount	-	15	-	-	-	-	15
Impact of discounting	-	(6)	-	-	-	-	(6)
At 26 March 2023	**127**	**244**	**64**	**9**	**18**	**12**	**474**

	HSS £m	OC £m	SRR £m	Network Programmes £m	Property £m	Other £m	Total £m
Disclosed as:							
At 26 March 2023							
Current	**57**	**62**	**19**	**4**	**8**	**12**	**162**
Non-current	**70**	**182**	**45**	**5**	**10**	**-**	**312**
	127	**244**	**64**	**9**	**18**	**12**	**474**
At 27 March 2022							
Current	136	13	30	5	5	10	199
Non-current	36	474	32	10	14	-	566
	172	487	62	15	19	10	765

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

12. Retirement benefit surplus

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

UKGI00044323

13. Equity

Called up share capital

	2023 £	2022 £
Authorised		
Ordinary shares of £1 each	**51,000**	51,000
Total	**51,000**	51,000
Allotted and issued and fully paid		
Ordinary shares of £1 each	**50,005**	50,005
Total	**50,005**	50,005

Share premium

There was no share issue in 2022/23. In 2021/22, two ordinary shares were issued in return for £125 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy (now known as DBT). A share premium of £125 million resulted from this subscription.

Other reserves

Other reserves of £2 million (2022: £2 million) relate to First Rate Exchange Services Holdings Limited, the joint venture entity.

14. Commitments, contingent liabilities and contingent assets

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

15. Related party disclosures

Related parties for Post Office Limited are as per the Group; details of which are disclosed in note 21 of the Group financial statements. The Directors have taken advantage of the exemption permitted by FRS 101 not to disclose transactions with wholly owned subsidiaries within the Group.

16. Post balance sheet events

Details of post balance sheet events are included in note 25 to the Group financial statements.

17. Ultimate controlling party

The Secretary of State for the Department for Business and Trade ("DBT"), formerly Business, Energy & Industrial Strategy ("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. DBT, through UK Government Investments Limited ("UKGI"), has no day to day involvement in the operations of Post Office Limited or in the management of its branch network and staff. As such, at 26 March 2023, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. DBT is the ultimate controlling party.

The parent undertaking of the largest and smallest Group to consolidate the results of the Company is Post Office Limited, a company registered in the United Kingdom. Post Office Limited financial statements can be obtained from 100 Wood Street, London, EC2V 7ER.

UKGI00044323

Corporate information

Registered Office

Post Office Limited

100 Wood Street

London

EC2V 7ER

Actuary

Towers Watson Limited

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