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Post Office Limited

Annual Report and Financial Statements 2014/15

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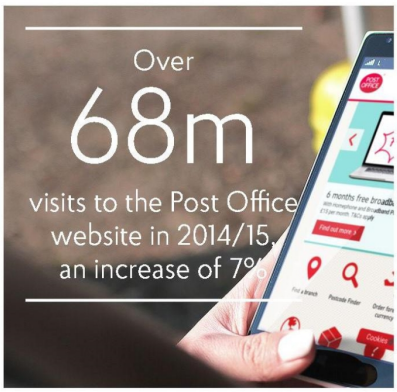
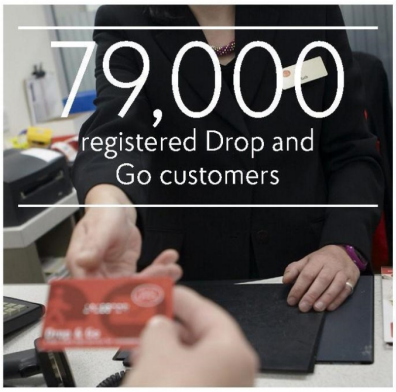
Our year in numbers

















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Post Office Key Performance Indicators

	2015	2014	Change
Turnover	£976m	£979m	(£3m)
Operating profit before exceptional items	£100m	£107m	(£7m)
Operating loss before depreciation, amortisation, exceptional items and Network Subsidy Payment (EBITDAS)*	(£60m)	(£93m)	£33m
Net cashflow**	£184m	(£270m)	£454m
Crown branch losses	(£12m)	(£26m)	£14m
Customer satisfaction	88%	87%	1%
New main and local format branches	4,097	2,058	2,039
Employee engagement index***	62%	58%	4%

* This metric is abbreviated and known internally as 'EBITDAS'

** 2014 restated - see page 68 for details

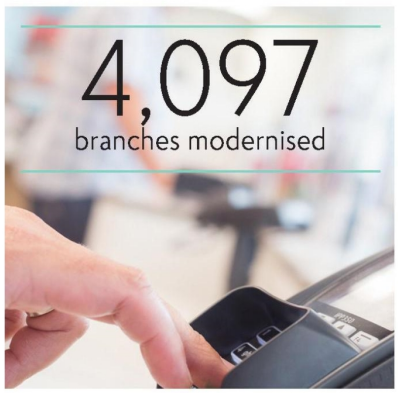
*** The employee engagement index has been measured using a new approach introduced as a result of a change in supplier for 2014/15 and a baseline measurement of 58% was achieved on this basis for 2013/14.

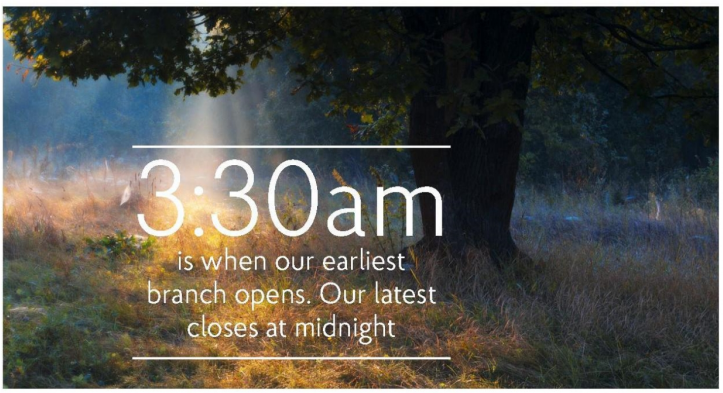












*Rainey Kelly Campbell Roalfe/Y&R 3,000 adults aged 18-74, from in house database, BAV

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Chairman's foreword



Alice Perkins
Chairman

Before I stand down as Chairman in July this year, I am glad to have the opportunity of the third Annual Report of the Post Office as an independent business to reflect on what has been achieved since I took up the role in July 2011.

Our goal is financial sustainability, to secure the future of the Post Office so that it can continue to provide relevant, efficient and convenient services to people in all corners of the UK, drawing on our strong and valued heritage.

We have made significant progress in achieving that goal despite the business's newly independent status and tough, fast-moving market conditions. This year, the operating loss we made before taking account of our annual subsidy (the Network Subsidy Payment) from the Government, was £60 million – nearly half what it was in 2011/12. The Network Subsidy Payment was £160 million, reduced by £40 million from last year, and is now on a clear downward track. Clearly, there is further to go but we are well on the way.

There are five aspects of change which I would highlight as major contributors to this progress.

First, the creation of an independent Post Office, separate from Royal Mail with its own Board structure, has given the organisation a clear focus, a fresh energy and a new confidence with which to tackle its imperatives. It now has an effective governance structure with a strong Board and, over the past four years, the capability of the senior management has been transformed with significant appointments made in the last financial year. Disentangling the Post Office systems from those of Royal Mail and making them fit for our purposes has been a major undertaking. It is almost complete and has been managed relatively smoothly.

Second, the Post Office has taken great strides in tackling its cost base which was both inflexible and too high. The business is transforming its ways of working thereby making costs increasingly variable as well as reducing them.

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Third, it has transformed a very large part of its network and is doing so at an increasing pace, lengthening opening hours and improving customer services. Over 4,000 branches have now been modernised, of which almost half were completed in 2014/15, and we now have 2,276 branches open on Sundays – an important and iconic change showing how focused we are on putting our customers first.

Fourth, the Post Office is adapting its products and the way it delivers them in the context of the very fast changing world – reflecting the movement of services online and the increased speed and convenience which customers expect. Our network is critical to us. We have maintained our physical reach with over 11,600 branches while we expand the products which are available online and through mobile applications.

Finally, all this is being done against a backdrop of better relationships with our people, our unions and the National Federation of SubPostmasters (NFSP); and through more active conversations with our key stakeholders through our Advisory Council which has further strengthened last year.

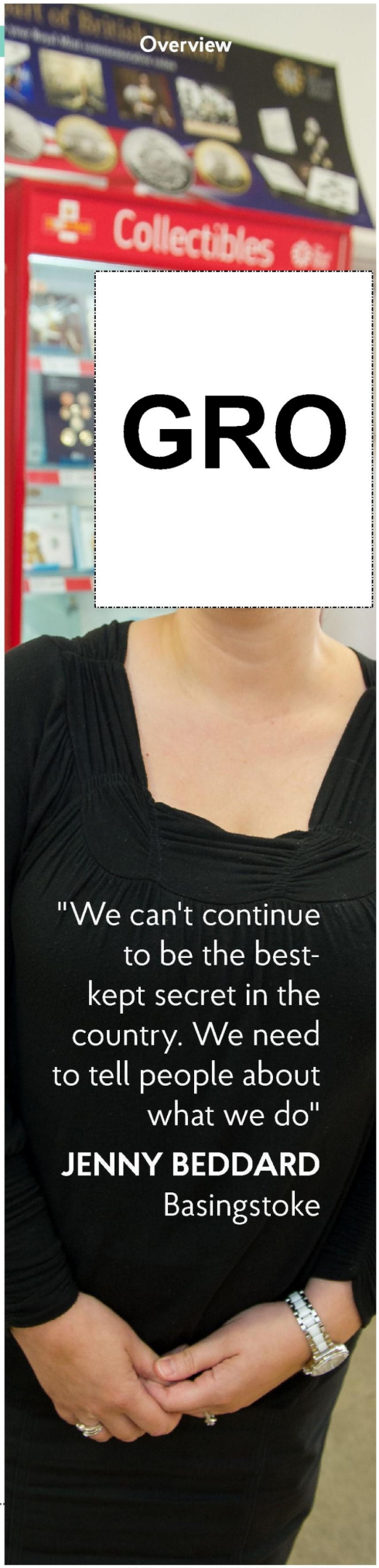
The Post Office looks, feels and is different four years on. It is more capable, confident and credible and therefore better equipped to face the future by adapting to the changing competitive market conditions in which it operates. There is much more to be done before our goal of financial sustainability is realised, critically, on greater profitable revenue generation and further cost reductions. The path ahead is far from straightforward but these important changes are essential to it.

We now have 2,276 branches open on Sundays

– an important and iconic change showing how focused we are on putting our customers first

Many have contributed to these achievements. Our shareholder, the Government, has given us the investment through to April 2018, on which our ability to complete our modernisation is dependent. Our colleagues in the Shareholder Executive in the Department of Business, Innovation and Skills have supported us well throughout this period. My fellow Board members have given their time and expertise most generously. Paula Vennells, our Chief Executive since independence, and her team have worked with great commitment and resilience to tackle a wide range of issues. The new office in Finsbury Dials is a symbol of their more cost-effective, modern and flexible way of working.

I am most grateful to all of them, as well as to all our colleagues, whether they are directly employed by us, our postmasters, or our commercial partners on whom the daily delivery of our wide range of services up and down the country depends.



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Chief Executive's statement

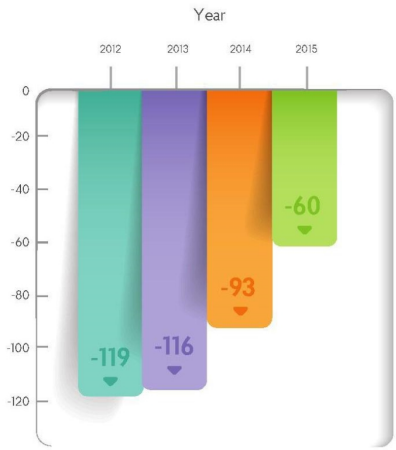


Paula Vennells
Chief Executive

The Post Office made significant strides during 2014/15 towards delivering the financial stability necessary to ensure it can continue to provide services that really matter to customers and communities throughout the UK.

The operating loss before subsidy of £60 million was £33 million lower than in the previous year while the annual subsidy from the taxpayer was reduced by £40 million. Our cash position is in line with expectations and the Post Office continues to invest strongly to improve customer service, cost efficiency and revenue potential for the future.

Operating loss before depreciation, amortisation, exceptional items and Network Subsidy Payment (EBITDAS) (£million)



The Post Office's clear goal is to achieve commercial sustainability and move beyond the current reliance on Government funding. The accelerating reduction in operating loss before network subsidy is a critical measure and clearly indicates progress. This has almost halved in three years. At the same time the size of the branch network has been maintained with overall accessibility for customers increasing through significant extension of opening hours, combined with growth in online and digital channels.

These improvements in our business reflect the commitment of our postmasters and of all our people. However, it is still work in progress. We work in challenging and disruptive markets and the Post Office must continue to change and improve - we cannot let up on our effort or commitment.

Our revenue performance in 2014/15 (see pages 12-13 and 21-23), has been mixed across a number of tough markets. It was encouraging that, after the prior year's decline, Mails held its revenue broadly flat in a highly competitive environment. The drop off in Government Services income as the DVLA withdrew tax discs presented an unexpected shortfall, which will continue in 2015/16. However, through very focused efforts in the second half-year, we recovered sufficiently to end nearly flat on the prior year: £3 million down on a turnover of nearly £1 billion.

At the same time, we have continued to invest in the growth markets in our portfolio. One of these areas is Personal Financial Services (comprising Post Office Money branded personal financial service products, ATMs and travel services) and its performance illustrates our potential with over 10% growth this year, continuing the strong trend seen in the previous three years.

We have launched the Post Office Money brand to continue this momentum and raise the profile of our wide range of financial products, from current accounts and savings through to insurance and mortgages. As a challenger financial services business in a highly competitive, fast moving market, our growth demonstrates the unique capabilities of the Post Office in combining unparalleled

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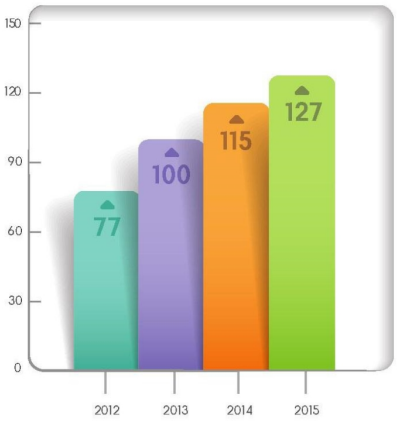
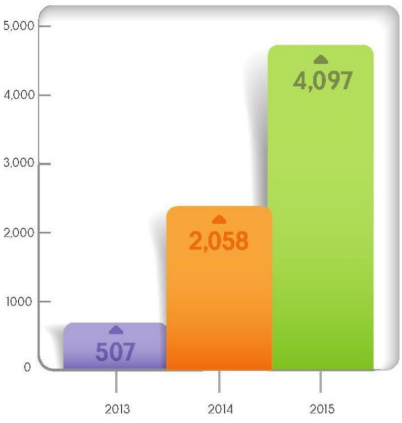
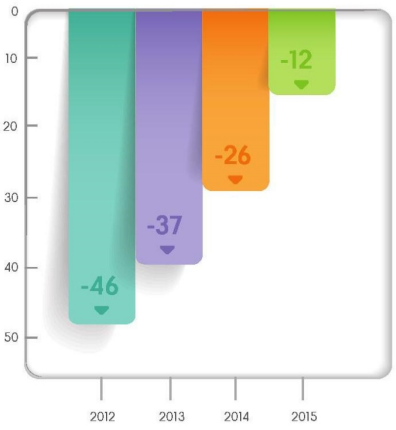
Personal Financial Services Turnover (£million)



New main and local format branches



Crown branch losses (£million)



nationwide accessibility and trusted, good value products for customers.

Our infrastructure supports a branch network which handled almost £70 billion in payments and receipts in 2014/15. The Post Office plays an important role in ensuring the availability of cash to customers across the UK, particularly in those areas where other organisations have withdrawn.

Targeted investment remains central to our strategy. This has driven the acceleration in the pace of the transformation of our branch network over the past year. We now have over 4000 modernised branches - delivering better environments, additional opening hours, a more flexible cost base for the Post Office and a more commercial business model for our postmasters. Customer satisfaction remains high, particularly in transformed branches.

Albeit slower than desired (I had wanted to see breakeven this last year), progress is also seen in the financial transformation of our Crown network of larger branches. This directly operated part of the network, located primarily in the centres of cities and large towns, was losing £46 million three years ago. The loss in this last year has reduced to £12 million. With the hard work and commitment of our colleagues in these branches, we have invested and modernised, introduced automation, improved customer service, and we have franchised a number of outlets.

Our financial, commercial and strategic momentum extends to the development of our infrastructure. Strong, long-term partnerships are vital given the scale of our operations. Our branch IT refresh programme will deliver one of the largest IT network transformations in Europe.

Creating a sustainable business involves difficult but necessary changes and cost efficiency has been a priority. In the last six months of the financial year, staff and non-staff costs were taken out to fund investment in customer service and produce a net saving of £33 million. As a result, over the last year, around 900 people have left the business. These changes were sensitively handled in conjunction with our unions and staff associations.

Difficult decisions are a necessary part of transforming a business; but at the same time improved engagement with our people is also a key part of our strategy. And so it was heartening in a tough year that engagement scores in the business rose by 4 points in 2015 to 62%, and understanding what customers want from the Post Office rose to 88%, as colleagues see that we are serious about protecting our public purpose and determined to continue the necessary progress for commercial sustainability. We are also proud to have been named by The Times as one of the top 50 Employers for Women in recognition of our work in embracing diversity and equality.

It is my aim to forge a future for the Post Office, which is financially sustainable, commercially competitive and which safeguards the social and community value that the Post Office provides throughout the UK. We play a unique role as part of the UK's infrastructure. But in changing times the Post Office must continue to adapt to be able to fulfil this crucial purpose from a sound commercial base. Although challenging, the past year has seen continued good progress to this end.

This progress has been achieved through the efforts of postmasters and colleagues throughout the country who provide great service to the millions of customers the Post Office serves each day. This review is a great opportunity to express my appreciation for their energy, professionalism and dedication.

I would also like to thank Alice Perkins, as she leaves us after four years as Chairman. With unremitting commitment and dedication, Alice has helped drive the Post Office forward; my management team and I are grateful for her guidance, challenge and support throughout this period. Alice will hand over to her successor in July 2015 a confident business making clear progress and with the appetite to push harder still to complete its transformation.



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Strate report

GRO



"Today's generation are used to doing everything in one place, or on one device and we want to show them the Post Office can be their destination of choice."

RUBI DEO
Wolverhampton

Business and Strategy Review

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Business and Strategy Review

The business of the Post Office

For 17 million customers every week, the Post Office helps to get the important things in life done.

With a presence in communities throughout the UK, over 93% of the population living within a mile of a Post Office branch, and a growing digital presence, the Post Office provides a unique role in our customers' lives.

The Post Office creates commercial and social value by meeting customer needs through applying professional standards, working to clear corporate values and forging high-quality, long-term commercial partnerships.

Critical among these are the postmasters in over 11,000 branches– typically locally based retail business owners but also national and regional multiple retailers who, along with our directly employed branch teams in 326 Crown branches, provide essential and convenient services to their communities.

We work with world class partners to support our service infrastructure and contract with quality product and service partners to ensure we meet the needs of customers.

The Post Office's strategy is to achieve and embed commercial sustainability that enables the delivery of its public purpose.

We are pursuing this by developing the following:

- *Choice and value for our customers* in our key markets – Mails and Retail, Financial Services, Government Services and Telecoms
- *Convenience for our customers* including investing to transform our network of Post Office branches and expand our digital services
- *Delivering efficiencies* in our organisation and infrastructure to reduce costs and better support colleagues who serve our customers
- *People, values and responsibility* – the positive engagement of our people, whether directly employed or serving under the Post Office brand.

During 2014/15 there has been material progress in the delivery of our strategy. Significant strides have been taken in each area and the underlying EBITDAS result of the business has improved year on year with the Government subsidy reducing at the same time.

The Post Office is unique: a commercial business set apart by its public purpose.

We believe in the importance of connecting communities and enhancing the powerful role they play in all our lives. We will stay true to this commitment by meeting customer needs through our unrivalled local and digital presence.

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Business and Strategy Review

Choice and value for our customers
developing business in our key markets

The Post Office and individual Post Office branches offer a portfolio of products across four main marketplaces.

Our products and services are linked by the convenience, trust and value that the Post Office brings to customers through its branches, telephone and digital services.

Each of these markets is dynamic and very competitive and each provides commercial challenges and distinct opportunities. Across the portfolio, the Post Office has retained year on year revenue levels, balancing gradual structural decline in some more traditional markets with growth in newer areas. This is the case both across markets – decline in Government Services, for instance, is outweighed by growth in Financial Services, and within markets – for example the Mails market where stamps are in decline and home shopping returns are growing.

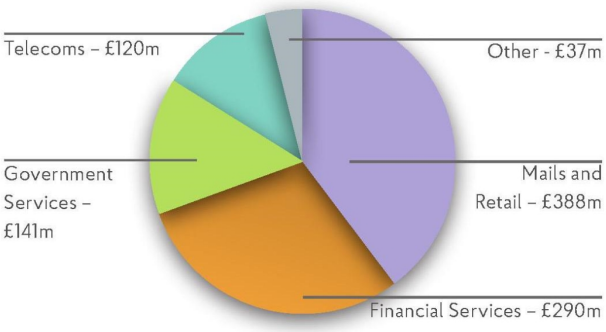
The Post Office, with its partner Royal Mail, has maintained a strong market and revenue position in Mails services in a market that is seeing major change through competition, new distribution models and structural shifts from letters to parcels. This has been achieved through a focus on customer service, good Christmas trading and more competitive product offers following Royal Mail price changes.

The continued growth of online retailing has helped deliver strong growth in home shopping returns made through our branches (19% growth year on year). It is also assisting our Mails pickup business – Local Collect, a service provided with Royal Mail where customers can opt to collect their parcels from a branch of their choice and which has now been enabled for Amazon customers. It also drives growth for small businesses who use Post Office branches to send orders to customers; 79,000 businesses are now registered to use our Drop and Go service.

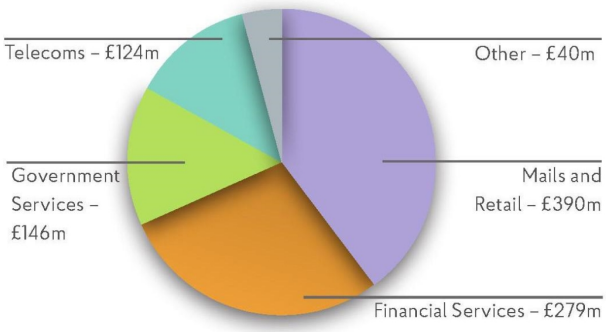
The role of the Post Office as a trusted, reliable, convenient location for customers is also reflected in the continued demand for Government Services. The award by the Department for Work and Pensions of a seven-year contract for the Post Office Card Account in late 2014 ensures that customers can continue to collect state pension and benefits at a Post Office. This contract, and the future revenues it will provide, will be a major source of stability for the network as it modernises. Overall, the Government Services portfolio saw revenue decline in 2014/15 – primarily driven by decline in car tax renewals where the shift online has accelerated since the removal of the tax disc in October 2014.

As the Government's approach to service provision develops, there are opportunities for the Post Office in both digital services and in those instances where face to face interaction is still needed. The Post Office has retained key income for passport Check and Send services, photocard licence renewal and biometric residence permits during 2014/15 and there are further development opportunities for these products.

Turnover 2014/15



Turnover 2013/14



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The Post Office successfully bid for a place on the Cabinet Office framework for Verify – the new online Identity Assurance service – and is therefore poised to be a market leader in this area as Government moves more services online.

The Post Office is positioned to continue to play a significant role in both the Mails and Government Services markets by responding to emerging market conditions, reflecting the increasing convenience offered by our network and maintaining the trust that customers have in our brand.

Our Telecoms range includes fixed line and broadband packages and is offered in a mature and competitive market characterised by customer switching. The business is carefully managed as a value, price competitive proposition for our customers. The year saw a slight reduction in overall revenue but 2014/15 ended with a net increase in the customer base, compared to the previous year, to 454,000. We are continuing to develop and enhance our offering to customers including piloting a mobile product in 2015.

The Post Office's role as a fast-growing challenger in the financial services market continues to be a source of growing revenue. The sector is highly competitive and faces increasing regulatory requirements. It is also streamlining, with more bank branches disappearing from the high street. Following the wind down in debt of recent years and the re-emergence of growth in real earnings there is increased consumer confidence. These all create opportunities for a challenger organisation that combines online capabilities with an accessible, trusted physical network.

Our personal financial services products have seen revenue growth of more than 10% this year – in part driven by a doubling of mortgage sales following the rollout of 100 specialist mortgage advisors and entry into the mortgage broker market. During 2014/15 Post Office Management Services commenced trading. This 100% subsidiary company is an independent insurance broking business and during the year has operated in travel insurance. Savings products picked up into the second half of the year with increased ISA allowances. Foreign exchange also increased due to growing customer appetite for travel and the strong pound. Bill payment revenues benefited from the retention of major clients in a competitive market, although revenues from energy payments were lower due to the warm winter. Transactional banking on behalf of other banks (over 95% of all UK current accounts can now be accessed at Post Offices) continued to grow as banks closed branches. Through the development of commercial arrangements with banks, the Post Office, with its unrivalled network of branches in local communities and its cash supply infrastructure, would be able to step in as the accessible point to handle customers' banking needs.

The successful launch of the Post Office Money brand in January 2015 demonstrated the Post Office's ambition and drive for growth in financial services. The brand increases customer awareness of the Post Office position in financial services as well as enabling targeted marketing campaigns detailing the range of financial services on offer.

Across the overall portfolio of services, in Mails and Retail, Financial Services, Government Services and Telecoms, the Post Office has held its position in competitive commercial markets. It continues to invest strongly in infrastructure support and customer convenience.

This positions the overall business and branch network to grow profitable revenue by addressing developing customer needs in emerging markets as well as ensuring a continued, valued service in more mature sectors.



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Business and Strategy Review

Convenience for our customers
modernising and developing our network

At the end of March 2015, there were 11,634 Post Offices trading in the network with over 93% of the UK population living within one mile of a Post Office and over 99% living within three miles.

Our programme of investment to modernise environments, increase opening hours and deliver more efficient operating arrangements for postmasters has accelerated through the year.

The Post Office network provides unique accessibility across the country and the convenience it offers customers is being enhanced through longer opening hours and online facilities. Convenience and modernisation provide the platform for high levels of customer satisfaction and for revenue growth in the markets we serve.

Crown Branch Transformation

The part of our network directly managed by the Post Office (currently 326 branches) has historically lost money: £46m in 2011/12. A structured programme of refurbishment, investment in self-service kiosks, implementation of operating efficiencies, franchise and merger of selected locations, and focus on revenue saw the loss reduced to £26m in 2013/14. Over the past year the programme has continued and the annual loss was reduced further to £12m. With flat year on year revenues across the business it is taking longer than anticipated to reach break-even for this part of the network. However, the strong trajectory of yearly reduction of the loss continues and projects a move through break-even for this revitalised part of the network. This positions the Crown branches to deliver future revenue growth for the Post Office – particularly with the support of our growing Financial Services portfolio.

Network Modernisation

The mainstay of the network are the branches that are run on an agency or franchise basis by either individual postmasters who typically manage a local convenience retail business or multiple retail companies (such as WH Smith, RS McColl and Co-op). The programme of investment to modernise this part of the network accelerated during 2014/15. A further 2,039 branches were transformed through investment during the year – a pace of nearly 40 a week - creating better environments and opening hours for customers and more efficient operating models for postmasters. By the end of March 2015 a total of 4,097 branches within the network had been transformed with a further thousand postmasters committed to future change and others in the pipeline.

Average opening hours in these branches increased by 73%. The programme as a whole has delivered over 120,000 additional opening hours per week to the network. This has enhanced convenience – adding greater 'time accessibility' to the 'geographical accessibility' for customers. Over 2,200 Post Office branches are now open on a Sunday. Customer satisfaction with the refurbished branches is consistently above 95%. Postmasters typically operate a retail business alongside their Post Office and those who have modernised the Post Office are reporting an average uplift in sales of 5% to 12% in the allied retail business.

The high street convenience market in which our postmasters trade is fiercely competitive, with retail revenues under pressure and costs such as rates, wages and property all rising. However, the impact of online retailing pickup and the switch to local, top up shopping provides countervailing opportunities to agile and efficient retailers.

In the local convenience retail environment the Post Office offers a sustainable agency and franchise proposition for retailers built on a strong product portfolio. Through its transformation programme, the Post Office is investing strongly in local high streets and communities. Investment, a strong retailer proposition and a commitment to local communities demonstrate how the Post Office is positively delivering its public purpose at a time when other organisations are leaving the high street or the village.

Community Branches

The Post Office network also includes over 3,000 branches serving communities where there is no other retailer in the vicinity. These are often rural branches located in the 'last shop in the village' which provide critical services to the communities concerned. These branches are characterised as 'community branches' and often serve a small customer base constraining the amount of available retail business and the opportunities new operating models, with their accompanying investment, can offer.

In these cases the branches are continuing on traditional Post Office operating models. However, they also have the opportunity to take advantage of investment to improve their service to customers or their future viability via the £20m Post Office Community Investment Fund. This was established during 2014/15 and by the end of the financial year investment applications had been approved for around 10% of community branches. The Fund will continue to serve this part of the network.

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The Post Office is therefore assisting communities that might not have any other retailer or bank – making sure Post Office services continue to be provided. Moreover, it is investing into these locations. This is consistent with the role of the Post Office as a commercial business set apart by its public purpose with its emphasis on the importance of communities and local service provision.

IT

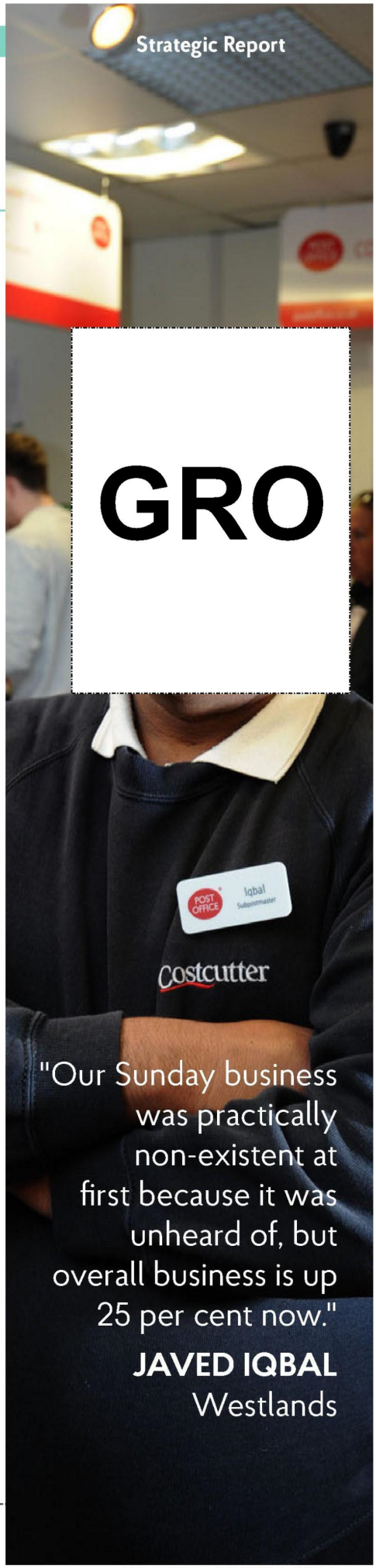
The Post Office is investing significantly in the IT infrastructure that supports our branches. In the year ahead, working with world-class partners, we will commence the full refresh of our network IT infrastructure including the physical network and the applications and terminals in our branches. This investment will mean that the business maintains its secure and reliable infrastructure while enhancing service levels (including online capabilities), enabling greater commercial flexibility in product development and delivery, improving the service for postmasters and delivering cost efficiencies.

Digital

The network of branches is accompanied by a digital infrastructure for customers who want to access Post Office services online. The development of digital capabilities is a key part of the cost efficiency, revenue growth and customer access strategies of the Post Office. We see the physical and digital presence of the business as complementary, both commercially and in respect of our public purpose, enhancing service levels (including online capabilities), enabling greater commercial flexibility in product development and delivery, improving the service for postmasters and delivering cost efficiencies.

This year's digital progress

- Restructured technology behind both the website and e-commerce platforms
- Redesigned online applications which are quicker to complete (examples include a new rod fishing online licence application which received 507,000 successful applications and a simpler process for travel insurance led to more annual policies being taken out)
- Added functionality so that customers can apply for more products online (for example ISAs were launched online in January)
- 68 million visits to the Post Office website in 2014/15 (a 7% increase on previous year)
- Increased integration between the digital and physical network (for example Travel Money ordered online grew 50% with 220,000 Click and Collect currency pickups in branch)
- Developments in our mobile apps (examples include simplified apps for foreign currency and banking as well as the first currency converter app for the new Apple Watch)
- 500 digital self-service kiosks handling Mails and bill payments rolled out offering increased functionality to provide choice and convenience for customers in our branches
- Developments in digital approaches to reach out to new potential employees (examples include increasing our reach on LinkedIn to over 10,000 and using video interviewing for recruitment activity for Paid Work Experience at Christmas gaining positive feedback and achieving savings of £50,000)
- Currently piloting an approach for prospective postmasters to complete their applications to run Post Office branches entirely online
- Consistent with our public purpose, we work with Go On UK (the digital inclusion charity) to help customers develop the skills and confidence to participate more fully in the digital world.



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Business and Strategy Review

Efficient and effective support for our service to customers

The service to our customers through our branch network, online and call centre facilities is underpinned by a comprehensive infrastructure. Our aim is to ensure that these critical support services are operated as efficiently as possible, and are flexible and responsive to customer needs and business requirements.

Cash Supply

The nationwide network of Post Offices is supported by a cash supply infrastructure that provides an efficient and flexible service, processing, provisioning and transiting cash and other tradable stock products to and from Post Offices. It is therefore a substantial enterprise in its own right operating cash, coin, bureau de change and stock centres across 26 sites throughout the country and utilising 410 specialist vehicles. It also provides valuable commercial services to other retailers and businesses for their cash supply, collection and bank processing needs.

The supply and handling of cash is a key service that the Post Office provides to communities across the UK. With banks reducing branch numbers, Post Offices with their supportive cash infrastructure provide a critical anchor point for customers and small businesses - helping maintain liquidity in local community economies.

Organisational Efficiencies

As part of the drive for efficient and effective support to the branches that serve customers, the Post Office has restructured its former Head Office functions – vacating its previous building in a move that will save £2 million per annum.

These changes have been part of organisational and efficiency developments resulting in employee numbers reducing by over 900. A carefully structured programme of change, working within frameworks agreed with our unions, has ensured that the financial benefits of investment and restructuring activity can be realised in lower operating costs – which in turn support competitive pricing, further revenue growth and funding for further investment.

Increasing efficiency from Business Transformation activities is associated with improved ways of working, support and responsiveness to the needs of frontline colleagues. During 2014/15 we improved our Network Business Support Centre to assist postmasters with operational queries.

We have established a Branch User Forum which meets six times a year and enables postmasters and Crown colleagues to raise issues and insights thereby helping to develop more efficient processes.

The Post Office's support functions are increasingly focused on the needs of our customers and our colleagues who serve them.

The 990 central support colleagues who volunteered to work in branches over the Christmas period to ensure a good service for our customers at this busy time is an excellent example.



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People, values and corporate responsibility
the essence of the Post Office

The Post Office is changing. As it completes its transformation, it does so with a set of core values and principles – defined in its public purpose - at heart. Our people are the essence of the Post Office and success is dependent on engaging and empowering all who work under the Post Office brand.

Those who do so have the opportunity of working for a commercial business while at the same time delivering a vital public service. This includes frontline service to customers in every community in the land, delivery of cash to communities, and support to the branch network, telephone and online services. The Post Office does not 'cherry pick' where it operates.

Together, there are around 55,000 people, employees, postmasters and their assistants delivering the Post Office brand across more than 11,600 branches.

The experience of working in the Post Office combines the reward of public service, on which the business was founded, with the vibrancy and excitement of supporting one of the UK's most trusted brands to thrive in the future.

Progress has also been made through the year in relation to diversity, developing and engaging with our people, as well as the necessary continued improvement made in keeping our people safe at work.

An engaged workforce is a key driver to achieve our business strategy. We track engagement levels through our annual employee and postmaster opinion surveys and 2014/15 has seen improvements in the engagement levels of both employees and postmasters. We continue to transform the way we work with our unions – the Communication Workers Union and Unite. This goes well beyond negotiations on pay and business change – a new Business Consultation Forum has brought together senior union officials and Post Office leaders for strategic dialogue and the building of mutual trust. We similarly work closely with the National Federation of SubPostmasters in developing support mechanisms to help postmasters grow their businesses.

The Post Office's investigations into a small number of complaints about the Horizon computer system were completed in early 2015 and a report published. These investigations underlined that the system is robust and reliable.

The mediation scheme, established to review individual concerns, has been accelerated and is expected to conclude later in 2015. A branch support programme set up to review and enhance training and support for postmasters continued to make important progress.

This year's progress

- Free health checks through site visits and access to online wellbeing zone
- The Times Top 50 Employers for Women 2015
- Winner of the Employee Network for Equality and Inclusion (ENEI) 'Representative Workforce' award
- Post Office Learning Centre, supported by Ashridge Business School
- Post Office Money Academy to support colleagues in Financial Services
- Interactive online product training so our postmasters now have access to their core training at any time or place.
- Crown Leadership Excellence Programme to support the development of our Crown Branch Managers
- Development schemes for successful postmasters and members of their teams to mentor and support other postmasters in increasing their sales revenue
- Refreshed Talent development and graduate recruitment programmes
- Engagement Champions to drive local action planning based on engagement survey results. Engagement results in 2014/15 improved
- Accidents reduced by 10.9%
- Communication frameworks with employees and postmasters were further developed with regular teamtalk sessions and enhanced digital communications
- Paid work experience schemes introduced for 16-25 year olds.

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Business and Strategy Review

Post Office Advisory Council



The Post Office Advisory Council (POAC) was established in March 2014 to provide a forum for Post Office stakeholders and other experts to discuss issues of interest and importance that impact customers, stakeholders and their communities.

The Council is chaired by Tim Franklin, one of the Post Office's Non-Executive Directors who has extensive experience of working in the mutual sector. In addition to a second Non-Executive Director and the Chief Executive, there are another 20 members who are selected to provide a diverse and balanced mix of skills, experience and stakeholder representation.

The Council meets three times a year and plays an important role in stakeholder engagement and provides both strategic and tactical advice. It acts a sounding board and provides feedback on matters such as business policies, new products and branch design as well as providing a broader perspective on strategic issues such as market opportunities.

The Council Members give their time generously and without payment, and the Post Office is grateful to them, individually and collectively, for their advice and counsel which significantly assists the development of our business.

The members of the Council, which met three times during 2014/15, are:

- **Elizabeth Armstrong** – retired customer services manager with the Nationwide Building Society
- **Theo Bertram** – Head of Public Policy and Government Relations at Google UK
- **Marcus Buck** – Brand Manager at Unilever
- **Andy Burrows** – Head of Post Office Policy for Citizens Advice
- **Tim Coomer** – Community First, Health and Well being Project Manager/Rural Enterprise Advisor
- **Pardeep Duggal** – Head of Digital Marketing at EON
- **Chris Feliciello** –Retail Area Manager/ Community Pharmacy Wales
- **David Foley** – Chief Executive of three Chambers of Commerce and Industrial Professor at East Kent College
- **Rebecca Glenapp** – E-commerce platform owner, LUXFIX
- **Farida Iqbal** – Post Office
- **Nilesh Joshi** – National Executive Officer of the National Federation of SubPostmasters
- **Marc Kidson** – Chair of the British Youth Council
- **Ben Lucas** – Chair of Public Services at the Royal Society of Arts
- **Ismal Loonat** – Postmaster
- **Andrew Moys** – Director of Communications at John Lewis Partnership
- **Brian Scott** – Unite CMA Officer
- **Lynn Simpson** – CWU Area Representative
- **Nicholas Stuart** – Professor of Cancer Studies at University of Bangor
- **Kevin Twynholm** – One Stop Stores
- **Donna Underhill** – Post Office

Bill Keown had served on POAC from its creation and sadly passed away in March 2015. Bill had founded the William Keown Trust which, over the last 35 years, has become a leading disability organisation in Northern Ireland. Bill's invaluable contribution to POAC will be very much missed.

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Charity and Appeals

- The Post Office is a major supporter of BBC Children in Need. In 2014 we adopted and led the charity's 'Be a Hero' theme. We were proud to be BBC Children in Need's largest corporate partner again in 2014, raising £1.25m for the charity
- We operate a 'Your Charity' scheme which empowers branches and teams to choose their own charity to support. Matched funding contribution for the charity or community cause our teams support is porvided through our 'Helping Hand' scheme
- Supporter of Disaster Emergency Committee Appeals - the entire Post Office network is available to receive donations
- Founder member of GoOn UK, committed to tackling digital exclusion and helping 10 million people who are not online to improve their skills and confidence
- The award winning Post Office 'Get Connected' programme signposts customers to local online training, offering them the opportunity to transform their lives through access to the internet
- Member and sponsor of the Future High Streets Forum and the inaugural Great British High Street Awards 2014
- Support and promotion of the Rowland Hill Fund – a registered charity which helps colleagues from Royal Mail and the Post Office, together with pensioners and their immediate families with financial and practical support.



WWI anniversary and British Postal Museum and Archive

On the centenary of the First World War we are particularly proud of our heritage and the role played by Post Office Rifles, a regiment of 12,000 men from across the General Post Office (GPO) who earned high praise and a prestigious place in British military history. Around 1,800 of its soldiers were killed – and 4,500 injured – during the war. Tens of thousands of GPO workers fought in the war in other regiments, and over 8,500 were killed. We would also like to acknowledge the contribution of the 5,500 women who, in full and part-time roles, kept the Post Office running during this time as their fathers, husbands and brothers left for the front. During 2014/15 the Post Office held a number of events to mark the centenary and to pay our respects, honouring the courage and sacrifice of all of those involved in the war.

Services of Remembrance were held in London and Abbots Langley. They were attended by senior representatives from Post Office and Royal Mail alongside descendants of the Post Office Rifles and representatives from the unions and today's modern day Post Office Rifles – the Royal Logistics Corps. The Post Office Rifles left Abbots Langley to go to the Front in March 1915.

The Post Office, along with Royal Mail, supports the British Postal Museum and Archive (BPMA). This is a heritage commitment and a financial commitment that the Post Office is pleased to make for an organisation which cares for the visual, written and physical records from almost 400 years of innovation and service. We support the BPMA's vision to establish a new, accessible facility for social and communications history.







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Mutual ways of working

In 2014, Post Office established its public purpose statement, created the Post Office Advisory Council and identified four 'milestones to mutualisation' which would assist in embedding more mutualised ways of working into all its activities. In so doing the Post Office intends to improve both its commercial prospects and its relationship with stakeholders in striving to meet its public purpose. There has been solid progress with respect to these milestones through 2014/15:

- **Commercial sustainability must be achieved, building on the successful delivery of our new strategy** – The Post Office continues to implement its modernisation strategy. In 2014/15 it improved its EBITDAS loss by £33million at the same time as the subsidy was reduced by £40million. Progress is being made towards commercial sustainability
- **A clear funding relationship with Government will be defined and maintained** – A clear funding relationship has been put in place until 2018 with appropriate State Aid clearances in place. Activity will need to be undertaken for the post 2018 period in the light of progress towards commercial sustainability
- **The Post Office will deliver measurable success in embedding its purpose statement throughout its business**. Following establishment of the purpose statement, the Post Office Advisory Council met on three occasions in 2014/15. Network accessibility requirements are being fulfilled (as covered in the Post Office Network Report submitted annually to Parliament) including establishing the Community Fund for community branches. There has been a strong commitment within the business to charity and local community initiatives (see Charity and Appeals section on page 19)
- **A culture of mutual engagement will be developed,** demonstrated by strong performance in key engagement measures. The development of the business culture over 2014/15 has been seen in the improvements in engagement measures across employees and postmasters. The approach to working within the business is evidenced by revised engagement frameworks being considered with the unions. Stakeholder liaison is fully embedded in key programmes such as Network Transformation through a full process of customer engagement and consultation around changes to local branches. Internal communications structures and branch support mechanisms have been restructured with branch user forums established. The Community Fund to support branches that are the last shop in the village has been established.

Within the context of the corporate ownership arrangements set out in the Postal Services Act 2011, and the commercial markets in which the business operates, Post Office is pursuing a strategy that reflects and develops the strong elements of mutualism that are fundamental to the organisation.

The viability of the Post Office is rooted in the success of a range of relationships – customers, employees, postmasters, Government as shareholder, local communities, commercial clients – each with needs and goals. The Post Office approaches these relationships by promoting mutual endeavour to ensure financial and commercial sustainability and the achievement of strategic goals.

Mutual endeavour is hard wired into the organisation. Our approach has been to recognise this and strengthen it as part of the necessary process of achieving commercial and financial sustainability.

The milestones to mutualisation will be kept under review through 2015/16.

Environment and Sustainability

The Post Office is committed to minimising its adverse environmental impact through continuous improvement.

Examples of improvements in 2014/15 include:

- 80.2% of waste recycled
- 100% of paper is from Forestry Stewardship Council (FSC) accredited sources
- 3.8% reduction in our CO_2 emissions.

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Financial Review

Paving the way towards financial sustainability



Alisdair Cameron
Chief Financial Officer

Summary results

The Post Office has maintained turnover with growth in Financial Services almost offsetting decreases in the other core product pillars.

A key metric is EBITDAS, operating profit before interest, taxation, depreciation, amortisation, subsidy and exceptional items which reflects the underlying performance excluding the Network Subsidy Payment. EBITDAS for the year was a loss of £60 million, an improvement of £33 million from the loss of £93 million in 2013/14. The costs of transformational change continued to be significant as the network modernisation accelerated.

Key Financial Performance Indicators

	2015	2014	Change
Turnover	**£976m**	£979m	(£3m)
Operating profit before exceptional items	**£100m**	£107m	(£7m)
Operating loss before depreciation, amortisation, exceptional items and Network Subsidy Payment (EBITDAS)	**(£60m)**	(£93m)	£33m
Net cash flow*	**£184m**	(£270m)	£454m

*2014 restated – see page 68 for details

Profit and Loss Summary

	2015 £m	2014 £m	Variance £m	Variance %
Turnover	976	979	(3)	(0.3)
Network Subsidy Payment	160	200	(40)	(20.0)
Revenue	**1,136**	**1,179**	**(43)**	**(3.6)**
People costs	(238)	(255)	17	6.7
Other operating costs	(834)	(850)	16	1.9
Total costs	**(1,072)**	**(1,105)**	**33**	**3.0**
Share of profit from joint ventures and associates	36	33	3	9.1
Operating profit before exceptional items	**100**	**107**	**(7)**	**(6.5)**

Revenue

The Post Office's revenue decreased by £43 million (3.6%) to £1,136 million including the decrease of £40 million in the Network Subsidy Payment from the Government.

The Post Office segments income into four pillars: Mails and Retail, Financial Services, Government Services, and Telecoms. The pillars and their performance are detailed on the next pages.

	2015 £m	2014 £m	Variance £m	Variance %
Mails and Retail	388	390	(2)	(0.5)
Financial Services	290	279	11	3.9
Government Services	141	146	(5)	(3.4)
Telecoms	120	124	(4)	(3.2)
Other income	37	40	(3)	(7.5)
Turnover	**976**	**979**	**(3)**	**(0.3)**
Network Subsidy Payment	160	200	(40)	(20.0)
Revenue	**1,136**	**1,179**	**(43)**	**(3.6)**

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Financial Review

Mails and Retail

Mails and Retail includes all the services provided by the Post Office for Royal Mail and Parcelforce. It also includes Lottery and retail services such as sales of collectibles as well as packaging and stationery.

	2015 £m	2014 £m	Variance %
Mails services	340	342	(0.6)
Retail and Lottery	48	48	0.0
Mails and Retail	**388**	**390**	**(0.5)**

Mails and Retail revenue of £388 million decreased by £2 million (2014: £390 million). Of this, turnover in relation to Royal Mail products decreased by £2 million, driven primarily by lower stamp sales. Overall parcel revenues were broadly flat with strong performance in home shopping returns. Revenue from sales of Lottery tickets and retail products was flat.

Financial Services

The Financial Services pillar includes Post Office Money products, ATMs and travel products as well as more traditional services such as bill payment and over-the-counter banking transactions.

	2015 £m	2014 £m	Variance %
Personal Financial Services	127	115	10.4
Bill payment, banking and other Financial Services	163	164	(0.6)
Financial Services	**290**	**279**	**3.9**

Across Financial Services in aggregate, revenue increased by £11 million to £290 million (2014: £279 million), a rise of 3.9%.

Personal Financial Services revenue increased by £12 million (10.4%) driven by strong growth in savings commissions (particularly ISAs and online savings), insurance and new mortgage products.

Revenue from traditional financial services products, including bill payment services, business banking services and Postal Orders declined by £3 million. This reflected a continuing shift from paper-based to electronically-delivered products and the increasing use of alternative payment methods. Revenue from sales of National Savings and Investments (NS&I) premium bonds grew by £2 million following the increase in the maximum limit for holdings which took effect in June 2014.

Government Services

The Government Services pillar covers services provided under contract to Government departments. They include the Department for Work and Pensions (DWP), the Driver and Vehicle Licensing Agency (DVLA) and the Home Office including Her Majesty's Passport Office (HMPO) and UK Visas and Immigration (UKVI).

	2015 £m	2014 £m	Variance %
DWP	87	87	0.0
Home Office	30	30	0.0
DVLA	20	23	(13.0)
Other Government Services	4	6	(33.3)
Government Services	**141**	**146**	**(3.4)**

Government Services revenue decreased by £5 million to £141 million (2014: £146 million). Revenue from the DVLA decreased by £3 million as customers increasingly used other payment methods, a trend which was accelerated when the paper tax disc was withdrawn in October 2014. Our Identity Assurance proposition launched in March 2015. The signing of a new Post Office Card Account contract at the end of the year has given longer term certainty to our benefits and state pensions payments business.

Telecoms

The Telecoms pillar includes Post Office HomePhone and Broadband as well as e-top up services and phonecards.

	2015 £m	2014 £m	Variance %
HomePhone and Broadband	115	118	(2.5)
E Top-ups and phonecards	5	6	(16.7)
Telecoms	**120**	**124**	**(3.2)**

Telecoms revenue of £120 million (2014: £124 million) decreased by £4 million. The revenue from HomePhone and Broadband decreased by £3 million, primarily due to lower average customer numbers through the year and price promotions offered to new customers.

Although average customer numbers were lower, we ended the year with 454,000 customers, 4,000 higher than at March 2014. Revenue from e-top ups was £1 million below the previous year as more customers moved away from pre-pay onto contracts. However, the Post Office continues to be a significant provider in the top-up market.

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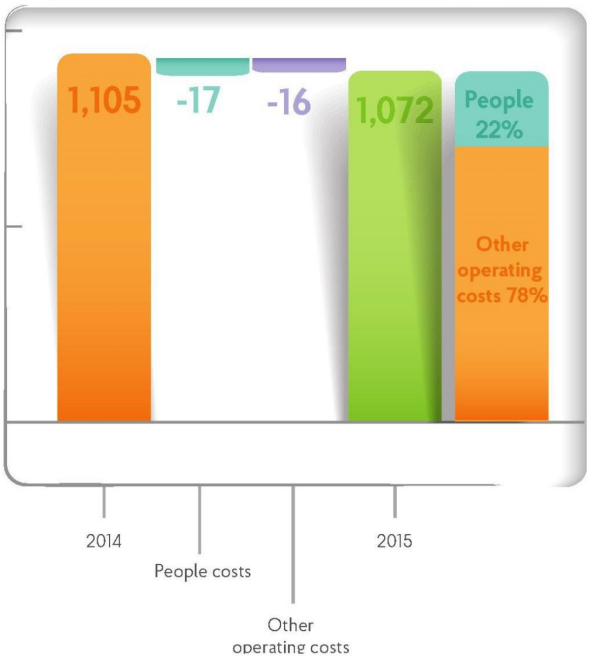
Other income

Other income decreased by £3 million to £37 million (2014: £40 million). Revenue from an historical agreement with the Bank of Ireland is included in other income. This is being recognised over the life of the contract and reduced this year in line with expectations. Other income is generated primarily from the Supply Chain business that manages and distributes cash for Post Offices and for third parties. It also offers warehousing services, mainly to Royal Mail. The revenue generated by the Supply Chain business remained broadly flat.

Costs

Total costs decreased by £33 million to £1,072 million (2014: £1,105 million).

Costs prior year to current year (£million)



People costs

People costs of £238 million (2014: £255 million) decreased by £17 million reflecting efficiency savings, particularly in the Crown network driven by the Crown transformation programme. There was a reduction of 911 in the number of people employed during the year, mainly from the Crown network and support functions.

Other operating costs

Other operating costs decreased by £16 million to £834 million (2014: £850 million), driven by cost saving initiatives as well as lower cost of sales for Telecoms.

Joint venture

Post Office Limited has a joint venture with the Bank of Ireland, First Rate Exchange Services Holdings Limited, whose principal activity is the supply of foreign exchange in the UK.

The share of operating profit from the joint venture was £36 million, £3 million higher than in 2014. First Rate Exchange Services Holdings Limited results improved mainly through revenue growth and a lower effective tax rate.

Exceptional items

Exceptional items are shown below:

	2015 £m	2014 £m
Operating exceptional items:		
Restructuring costs including postmasters' compensation	(214)	(259)
Impairment of intangible assets, property, plant and equipment	(141)	(115)
Amendment to the terms of RMPP	-	102
Government grant	170	317
Subtotal operating exceptional items	**(185)**	**45**
Non-operating exceptional items:		
Profit on disposal of property, plant and equipment	-	3
Net exceptional items	**(185)**	**48**

Restructuring costs

Restructuring costs are shown below:

	2015 £m	2014 £m
Network Transformation programme		
-Postmasters' compensation	67	94
-Programme costs	73	97
Crown Transformation programme	10	9
IT Transformation programme	16	21
Business Transformation programme	12	-
Redundancy costs	25	23
Business Transformation payments	1	5
Other exceptional items	10	10
Restructuring costs	**214**	**259**

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Impairment

Due to on-going operational losses (excluding the Network Subsidy Payment) the carrying value of intangible assets and all property, plant and equipment other than freehold and long leasehold property has been impaired to nil.

Network Subsidy Payment and other Government grants

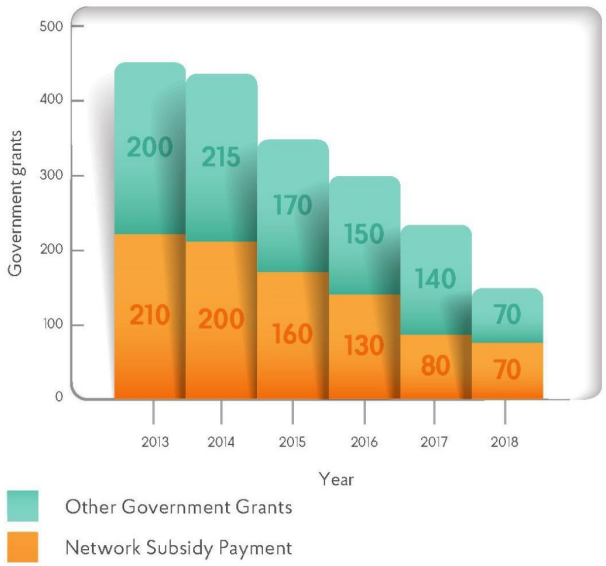
The Network Subsidy Payment is Government grant revenue put towards the costs of maintaining the Post Office network. The payment decreased by £40 million in the year to £160 million and is recognised in revenue.

In addition to the Network Subsidy Payment, the Post Office receives Government grant funding towards the transformation programme. Government grant funding of £170 million was received in the year (2014: £215 million).

The additional Government grant funding is included within operating exceptional items to match the associated costs. £102 million of the 2012/13 grant also remained available for use in the prior year and the entire balance of £317 million of this government grant funding was utilised in 2013/14.

The grant was allocated to cover £59 million capital expenditure (2014: £94 million), £43 million network transformation related postmasters' compensation (2014: £88 million) and £68 million network and IT transformation programme costs (2014: £135 million).

The level of grants will continue to reduce as set out in the current funding agreement with the Government. State Aid approval for the funding from 2015/16 to 2017/18 was received on 19 March 2015.



Cash Flow and Net Debt

Post Office Limited operates its own Treasury function and manages its own financial assets (including network cash) and financial liabilities (mainly Government loans).

The Treasury function derives its authority from the Board and provides reports for Board review. It has the authority to undertake financial transactions relating to the management of the underlying business risks, however, it does not engage in speculative transactions and does not operate as a profit centre. The principal financial instruments utilised are deposits and borrowings.

Cash and cash equivalents amounted to £821 million (restated 2014: £637 million) at the year end. There was a net cash inflow during the year of £184 million (restated 2014: outflow £270 million). The inflow was driven by an increase in the Department of Business, Innovation and Skills (BIS) loan balance to £310 million. In the prior year the outflow was driven by repayment of the BIS loan balance in full. Net debt (excluding cash in the Post Office network) increased by £174 million year on year as shown in the table below.

	2015 £m	2014 £m Restated*
Net cash (outflow)/inflow from operating activities	(15)	82
Income tax recovered	11	11
Net cash outflow from investing activities	(116)	(66)
Net cash (outflow)/inflow before financing activities	**(120)**	**27**
(Deduct)/add movement in cash in the network included in net cash inflow	(51)	158
Finance costs paid	(3)	(2)
Net (increase)/decrease in net debt	**(174)**	**183**
Net debt brought forward at the beginning of the year	(23)	(206)
Total net debt carried forward at the end of the year	(197)	(23)

* see page 68 for details

Post Office Limited's borrowing facility from the Government and the associated Framework Agreement imposes constraints on the availability of external borrowing and limits the purposes for which the facility can be used to funding the cash and near cash items held within the Post Office Limited network.

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Post Office Limited's treasury policy is to minimise the amount drawn down on the loan in order to reduce its interest cost. The facility is limited to a maximum of £1.15 billion or the amount of security available (mainly network cash), whichever is the lower. The maximum drawn down under the facility during the year was £500 million on 11 to 14 December 2014. The maximum available facility reduced to £950 million from 30 March 2015 and is available at two days' notice with an end date of 31 March 2018.

Pensions

Post Office Limited is a participating employer within the Post Office Section of the Royal Mail Pension Plan (RMPP), until 31 March 2015 and was a participating employer within the Royal Mail Defined Contribution Plan (RMDCP).

Royal Mail Group Limited is the principal employer of the Royal Mail Senior Executives' Pension Plan (RMSEPP) and Post Office Limited is a participating employer within RMSEPP. RMPP and RMSEPP are both defined benefit plans.

On 1 April 2012 – after the granting of state aid by the European Commission on 21 March 2012 – almost all of the pension liabilities and pension assets of the Royal Mail Pension Plan (RMPP), built up until 31 March 2012, were transferred to HM Government.

On this date, the RMPP was also sectionalised, with Royal Mail Group LImited and Post Office Limited each responsible for their own sections in future. This pensions transfer left the RMPP fully funded on an actuarial basis in respect of historic liabilities at this date.

During 2013/14 there was a consultation exercise with members of the defined benefit Royal Mail Pension Plan on proposed changes to the terms.

These changes were agreed and implemented on 15 October 2013. The key change is to the definition of pensionable pay, which broadly will increase in line with RPI (capped at 5%) in future regardless of actual pay growth. The changes resulted in a one-off exceptional gain of £102 million in 2013/14.

The balance sheet pension position moved from an asset of £148 million at March 2014 to an asset of £205 million at March 2015. The movement is primarily due to an improvement in asset values, reflecting increases in equity and bond prices partly offset by an increase in the long-term liability, largely caused by changes in the financial assumptions, which in turn were driven by a reduction in real corporate bond yields.

Both defined benefit plans closed to new members in March 2008, and RMSEPP closed to future accrual on 31 December 2012. New employees were offered membership of the RMDCP, during the year. With effect from 1 April 2015 they are offered membership of the Post Office Pension Plan.

Pension cash payments for all plans

The future funding of ongoing pension contributions into RMPP and deficit payments into RMSEPP was agreed with the respective pension trustees during the year and payments were made in accordance with the agreements.

	2015 £m	2014 £m
Regular pension contributions	(22)	(23)
Funding of the pension deficit - RMSEPP	(1)	(1)
Payments relating to redundancy	(2)	(1)
Net cash payments	**(25)**	**(25)**

The regular future service contributions cash rate for RMPP expressed as a percentage of pensionable pay remained at 17.1% (2014: 17.1%). The regular rate of employee contributions for the RMPP remains unchanged at 6%.

Events after the reporting period

In accordance with the funding agreement with Government announced on 27 November 2013, for which State Aid approval was received on 19 March 2015, Post Office Limited received £280 million of funding on 1 April 2015.

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Business Risk 2014/15

The information below details the key business risks, their potential impact and how the Post Office manages them.

Risk Title	Impact	Mitigation
Risks to underperformance in income Post Office faces both opportunities for and threats to income. The Mails and parcels market remains intensely competitive and has seen some high profile failures due to inadequate margins. Government Services are impacted by increased use of digital channels and reduced public spending.	Both Mails and Government Services have historically been key components of the Post Office income base. While declining trends have been built into business planning, any acceleration of this decline could impact achievement of commercial sustainability.	The business strategy is focused on developing new customer based revenues embracing market and technological developments and moving away from reliance on traditional Mails and Government business lines. These developments are aligned to key business accelerator areas. The Group Executive and Board regularly monitor business performance and track implementation against plan.
Business transformation not delivered in full Savings may be delayed or not achieved, or overall service compromised due to inadequate capability, capacity and scale of change.	Delays to transformation and/or savings, and material increases in costs could threaten delivery of services to customers resulting in reputational damage, and achievement of commercial sustainability. Any major project issues would damage our reputation with stakeholders including suppliers and our shareholder.	A new programme management office is being established and assurance and oversight enhanced. There are detailed plans in place to manage the transformation, and identify risks to ensure transformation activities are delivered within budget and on time. A comprehensive engagement programme is in place with unions, staff and postmasters to engage our people in our vision and strategy around transformation.
IT development programmes not delivered in full IT replacements and upgrades not implemented in time leading to increased costs or infrastructure failure.	Failure of, or delay in implementation of IT programmes could result in operational failures which would adversely impact delivery of services to customers. Delays or increased costs may impact the timetable for achieving operational sustainability. Material project issues would damage our reputation with stakeholders including suppliers, customers and shareholders.	A new design framework is being created for the Front Office application, which includes testing and training in accordance with best practice, and will be subject to the transformation assurance and oversight plan.

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Risk Title	Impact	Mitigation
Operational, Legal and Regulatory risks The Post Office operates under an extensive regulatory environment, covering areas such as financial and postal services, telecoms, procurement, competition law and data security. This environment continues to evolve, particularly in the financial services arena and we need to ensure that the changing requirements continue to be identified and met.	Failure to comply with the regulatory framework could result in customer losses and inconvenience, financial losses, regulatory censure, fines, or litigation, which in turn may adversely affect our ability to trade in our target markets or products. Regulatory censure or fines would damage our reputation with customers and suppliers.	Our corporate services team works closely with the relevant business owners to identify new regulatory obligations. We ensure ongoing training and development of staff on regulatory requirements. Regular compliance tests and monitoring are conducted. There is a programme in place of internal and external assurance (including by our regulatory principals) including in relation to our financial services business, its sales practices and products to ensure that on an ongoing basis these continue to meet regulatory requirements.
Market, macro-economic and environmental risks Market developments, competitors' response and consumer needs are changing at a rapid pace. The 2015 actuarial valuation of the RMPP is due to complete shortly and there is a risk that, as a result of the prolonged low interest rate environment, substantially increased contributions will be required.	Failure to keep pace with changing market developments may result in strategic plans becoming outdated and sub optimal. Material increases in required contributions may adversely affect the ability of the Post Office to achieve commercial sustainability.	Post Office works closely with its commercial partners to meet market and technological developments and to roll-out an improved customer experience across all distribution channels. Business diversification gives Post Office different response options if there are significant threats to one business area. Post Office is working with its professional advisers to develop options to minimise the impact of an adverse valuation.
Strategic development and sustainability The cost of delivering the public purpose of the Post Office to meet the expectations of stakeholders may exceed current forecasts.	Balancing conflicting strategic objectives may impact operational efficiency and reduce our ability to become a commercially viable enterprise.	Post Office engages proactively with stakeholders to ensure there is full understanding of, and alignment with, the strategic goals and the investment case required to deliver them.
Industrial action Significant progress has been made in industrial relations, however, the withdrawal of support from our staff or postmasters to the ongoing implementation of Post Office strategy via industrial action remains a risk.	Disruption and delays due to industrial action would adversely impact our customers, business partners and suppliers. It could also provide opportunities for competitors that could undermine the ability of the to achieve commercial sustainability. Material disruption could also damage the reputation and brands of the Post Office.	Post Office seeks to engage proactively with staff, unions and sub-postmasters so as to ensure that there is alignment with our vision and strategy. Contingency planning is in place to minimise the impact of potential industrial action.

Alisdair Cameron
Chief Financial Officer
Post Office Limited
1 July 2015

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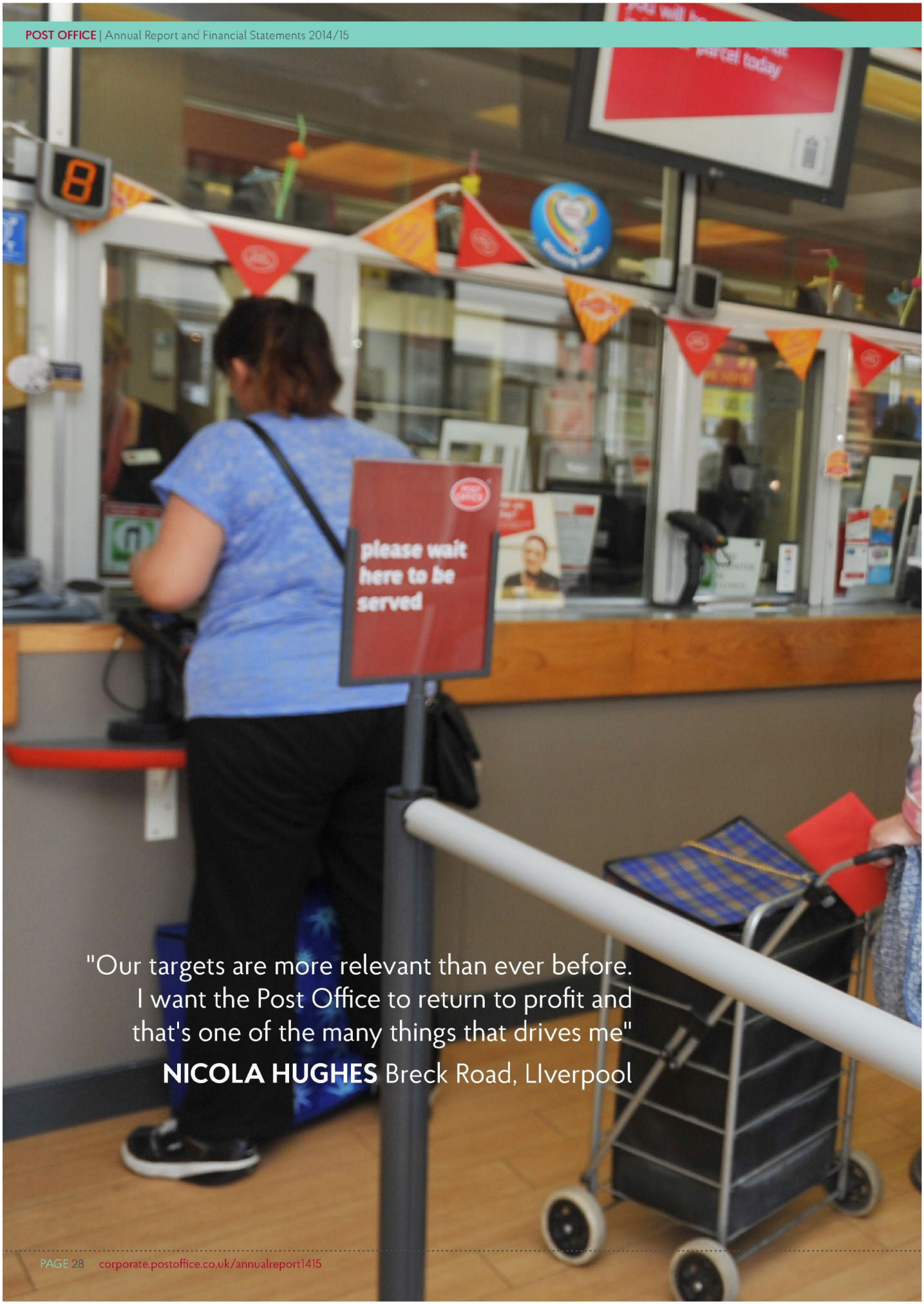

"Our targets are more relevant than ever before. I want the Post Office to return to profit and that's one of the many things that drives me"

NICOLA HUGHES Breck Road, LIverpool

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Governance 3



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Board of Directors

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Board of Directors (left to right):
Alasdair Marnoch, Tim Franklin, Paula Vennells, Alice Perkins CB, Neil McCausland, Alwen Lyons, Virginia Holmes, Alisdair Cameron, Richard Callard

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Post Office Limited's Board of Directors is chaired by Alice Perkins CB. As Non-Executive Chairman, she is independent both of the executive management of Post Office Limited and of its Special Shareholder. The Board comprises the Chairman, five other Non-Executive Directors and two Executive Directors.

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Board responsibilities

The responsibilities of the Board include setting the business' strategic aims, putting in place the leadership to deliver them, supervising the management of the business and reporting to the Shareholder. There are a number of Board committees which deal with specific topics requiring independent oversight, including audit, risk and compliance, nominations, pensions and senior remuneration.

Each committee is chaired by a Non-Executive Director and operates within its own agreed, documented Terms of Reference.

Alice Perkins CB, Chairman

Joined the Board in July 2011

Chairman of the Nominations Committee and Member of the Remuneration Committee

Alice had a wide-ranging career in the civil service, which included policy and operational roles in health, social security and public spending in the Treasury.

Alice was also the Civil Service's Group HR Director in Cabinet Office between 2001 and 2005. Before joining Post Office Limited as Chairman, she served as Non-Executive Director on the boards of Littlewoods, BAA and TNS, where she also chaired the Remuneration Committee.

Alice was an external member of the Oxford University Council until summer 2014. She is currently a business coach at the JCA Group, and a member of the faculty at Meyler Campbell where she teaches senior executives how to coach. Alice was appointed as a Non-Executive Director of the BBC Executive Board on 1 April 2014.

Neil McCausland, Senior Independent Director

Joined the Board in September 2011

Chairman of the Remuneration Committee and a Member of the Audit, Risk and Compliance Committee and the Nominations Committee; Member of the Post Office Advisory Council

Neil has had a portfolio of non-executive roles over the last 10 years. He is currently Chairman of four companies: Snow and Rock, a retail chain selling skiing and outdoor brands, bikes and running gear; Joules, an outdoor lifestyle brand; Create Fertility, a chain of IVF clinics and Skin, a chain of skin treatment clinics.

Until recently he was Chairman of footwear company Kurt Geiger, and a Governor of NuffieldHealth, which operates hospitals and health clubs. Neil began his career at Marks & Spencer, before becoming Managing Director of C&A and Chief Executive of NAAFI (an MOD agency).

Paula Vennells, Chief Executive

Joined the Board in October 2010

Paula has worked for Post Office Limited since 2007 in a number of senior roles including Managing Director. She became Chief Executive on 1 April 2012. Previously Paula spent five years with Whitbread plc, latterly as Group Commercial Director. She began her career with Unilever and L'Oreal and held directorships in sales and marketing with a number of major retailers including Dixons Stores Group and Argos. She is currently a Non-Executive Director and Trustee for Hymns Ancient and Modern Group, a Trustee of Go ON UK and a member of the Future High Street Forum.

Alisdair Cameron, Chief Financial Officer

Joined the Board in January 2015

Member of the Pensions Committee and the Financial Services Committee

Alisdair became the Chief Financial Officer of Post Office in January 2015. He is also a Non-Executive Director on the Board of Oxford University Hospitals. From 2002 to 2014 Alisdair worked in a variety of roles for Centrica plc, a FTSE 100 company, including Director of Audit & Risk, Group Financial Controller, Finance Director of British Gas and Managing Director of British Gas Enterprise. Previously he was a partner with Arthur Andersen and served as a trustee of the e-Learning Foundation.

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Richard Callard, Non-Executive Director

Joined the Board in March 2014

Member of the Pensions Committee

Richard Callard is the representative of the Department for Business, Innovation and Skills (BIS) on the Post Office Limited Board, and is an Executive Director at the Shareholder Executive (ShEx) in BIS.

Richard is a Chartered Accountant by background and joined ShEx from Deloitte corporate finance in 2007, where he advised the public and private sector on public private partnerships and other infrastructure and project finance deals. In addition to his role on the Board of Post Office Limited, Richard leads the Post Office and Green Investment Bank shareholder teams at BIS.

Alasdair Marnoch, Non-Executive Director

Joined the Board in May 2012

Chairman of the Audit, Risk and Compliance Committee

Alasdair Marnoch joined the Board of Post Office Limited as a Non-Executive Director on 23 May 2012. A Chartered Accountant, he chairs the Board's Audit, Risk and Compliance Committee which reviews the statutory accounts and financial controls.

Alasdair has had wide experience as Finance Director of a number of FMCG and service businesses, including listed companies. He was appointed as Chief Financial Officer at CPA Global, the world's leading provider of intellectual property management software and services, in January 2014. Previously Alasdair served as CFO of the Equiniti Group, a leading provider of complex administration and processing services to the public and private sectors.

Tim Franklin, Non-Executive Director

Joined the Board in September 2012

Member of the Audit, Risk and Compliance Committee and Financial Services Committee; Chairman of the Post Office Advisory Council

Tim Franklin joined the Board of Post Office Limited as a Non-Executive Director on 19 September 2012. Tim's executive career spans both building societies and banking. Prior to his board roles in the mutual sector, he was Director of Customer Programmes and Loyalty and Managing Director of Savings at Barclays.

Tim's experience extends across the private and public sectors too. He is Senior Independent Director at HM Land Registry where he chairs the Audit Committee and was previously on the Boards of Reclaim Fund Limited, Mutual Plus Limited and the Link Cash Machines Network.

Alwen Lyons, Company Secretary

Appointed in July 2011

Alwen Lyons joined Royal Mail Group in 1984 as a graduate entrant and has worked at senior levels in both Royal Mail Group and Post Office Limited.

She is a qualified accountant and in her career spanning more than 30 years with Royal Mail Group and Post Office Limited, she has worked in several areas of the business, including network, finance and marketing. Alwen became the Company Secretary in July 2011, after leading the project to separate Post Office Limited from Royal Mail Group. Alwen served as a trustee on the Royal Mail Pension Plan Board for 8 years and was Chair of the Audit and Risk Committee for 7 years.

Virginia Holmes, Non-Executive Director

Joined the Board in April 2012

Chairman of the Pensions Committee and the Financial Services Committee

Virginia brings to the Board extensive knowledge of the financial services industry, including both investment management and banking. Her experience includes serving as Chief Executive of AXA Investment Managers UK and more than a decade with the Barclays Bank Group, where she ultimately served as Managing Director of Barclays Bank Trust Company.

Virginia is currently the Chair of USS Investment Management Limited and serves on the boards of the Alberta Investment Management Corporation in Canada, Standard Life Investment Holdings Limited and the Investor Forum CIC. She also sits on the Zurich UK Life Independent Governance Committee.

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Corporate governance

The Post Office is committed to conducting its business ethically and in accordance with appropriate standards of corporate governance.

Corporate Governance Statement

Shares in Post Office Limited are not listed or traded on a public exchange and therefore Post Office is not required to report on its compliance with the UK Corporate Governance Code (the Code). However, the Board of the Post Office believes the Code to be an appropriate benchmark for reporting on corporate governance and as such, endeavours to comply with the spirit of the Code where appropriate, in so far as it can apply to a Government-owned entity which has no private or institutional external shareholders. The Post Office regularly reviews its governance procedures to ensure their continuous enhancement and to progress towards fuller compliance with the Code and with best practice developments.

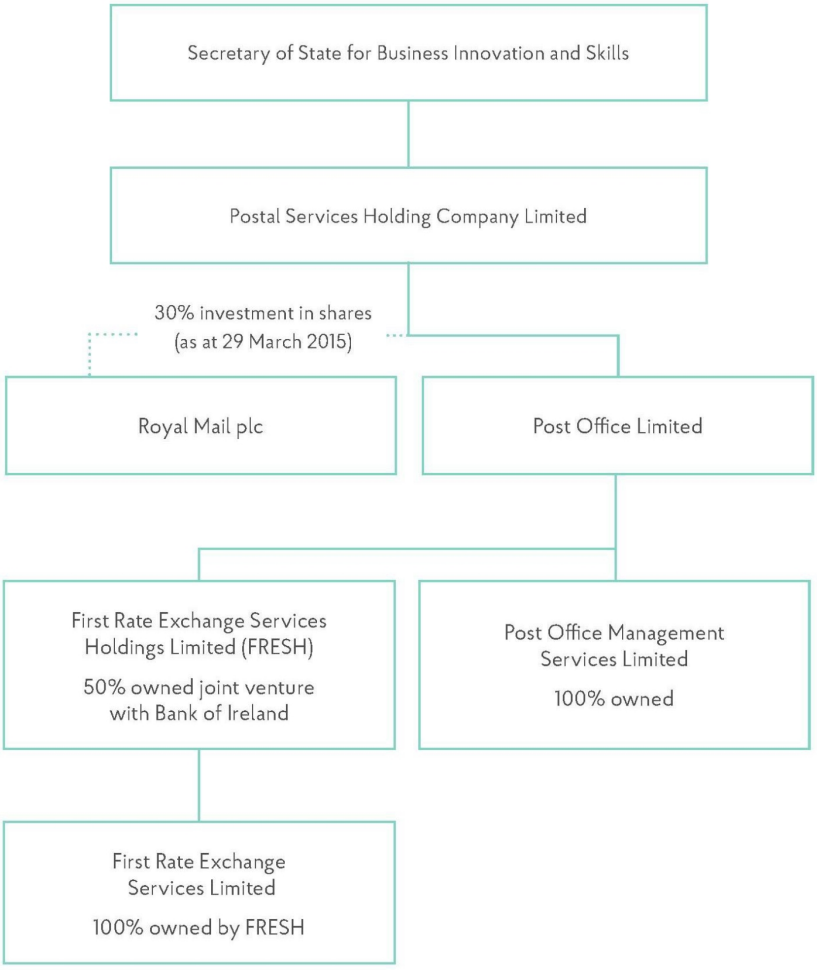
As a Government-owned entity, the Post Office is also committed to acting in accordance with the Nolan Principles of Public Life, namely: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The Board is mindful of these principles, both in its decision making and in its responsibility for organisational culture.

Legal Ownership Structure

The Post Office is a wholly owned subsidiary of Postal Services Holding Company Limited (formerly named Royal Mail Holdings plc). The Secretary of State for Business, Innovation and Skills (BIS) holds a special share in Post Office and the rights attached to that Special Share are enshrined within the Post Office Articles of Association (the Articles).

Neither Postal Services Holding Company Limited nor BIS, through its Shareholder Executive (ShEx), have any day to day involvement in the operations of the Post Office or the management of its branch network and staff. However, Richard Callard, the ShEx representative, sits on the Post Office Board as a Non-Executive Director.

A strong commercial link remains between the Post Office and Royal Mail, underpinned by a contractual agreement, which is at arm's length, to continue to supply Royal Mail products and services through the Post Office.



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The Board

The Board is responsible for setting the strategy of the Post Office, providing the leadership to implement the strategic objectives and determining the Post Office's vision, values and organisational culture.

Membership

The Board is comprised of an independent Chairman, the Chief Executive, the Chief Financial Officer and five Non-Executive Directors, one of whom is designated the Senior Independent Director. Short biographies of all members of the Board appear on pages 32-33 of this Annual Report and further information on certain key roles can be found below.

Non-Executive Directors are not employees of the Post Office but provide services under the terms of an individual Letter of Appointment, signed at the commencement of their directorship. The Executive Directors' contracts provide for six months' notice of termination to be given by the Director and 12 months' notice to be given by the Post Office.

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

The Post Office seeks the most suitable candidates as directors and considers diversity of appointments. This is in keeping with the belief of the Post Office that a diverse balance of backgrounds, experience and insights and a culture of inclusivity across the entire workforce is in the best long-term interests of the Post Office and should reflect the communities it serves. In terms of gender diversity, at 29 March 2015 the Board was comprised of 37.5 per cent women and in April 2015 the Post Office was included in The Times' top 50 employers for women.

All Board members receive a comprehensive induction on appointment, which includes training on their responsibilities as statutory directors. Members also receive regular briefings to update and refresh their skills and knowledge and in 2014/15 this included a briefing on cyber security. As the branch transformation programme progressed throughout the year, members were invited to attend transformed branch openings in their local areas.

Alisdair Cameron was appointed as Chief Financial Officer on 28 January 2015 following Chris Day's resignation on the same date.

Chairman

As Chairman, Alice Perkins is responsible for leadership of the Board and for ensuring its effectiveness on all aspects of its role.

Senior Independent Director

The Board has appointed Neil McCausland, one of its independent Non-Executive Directors, as the Senior Independent Director. He provides a sounding board for the Chairman and serves as an intermediary for the other directors when necessary.

Company Secretary

Alwen Lyons, the Company Secretary, is responsible for advising the Board, through the Chairman, on all governance matters and ensuring good information flows within the Board, its committees and senior management. The Company Secretary also facilitates the induction process, assists with professional development and ensures compliance with Board processes, Directors' interests, indemnity arrangements and other significant agreements. During the period, none of the directors had a material interest in any contract of significance with the Post Office or any of its subsidiaries. At all times during 2014/15, Alice Perkins (Chairman), Tim Franklin, Virginia Holmes, Alasdair Marnoch and Neil McCausland (Senior Independent Director) met, and continue to meet, the criteria for independence as set out in the Code, and are therefore considered by the Board to be independent.

The Post Office has arranged appropriate insurance cover in respect of legal action against directors of the Post Office and its subsidiaries.

Time commitment

All Board directors should allocate sufficient time to the organisation to enable them to discharge their responsibilities effectively. There is an implied term within all the Non-Executive Directors' Letters of Appointment that they will devote an appropriate amount of time to their role, which will enable them to fulfil their functions satisfactorily.

As part of the Board effectiveness review, referred to below, all the Non-Executive Directors were determined to have devoted sufficient time to their role to enable them to perform that role satisfactorily.

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Non-Executive Directors' Terms of Office

Non-Executive Director	Date of appointment	Term of office	Unexpired term at 29 March 2015	Committee memberships
Alice Perkins	21 July 2011	Rolling 12 month contract	N/A*	Nominations (Chairman)
Richard Callard	26 March 2014	Until removal	N/A	Pensions
Tim Franklin	19 September 2012	4 years	1 year, 5 months, 22 days	ARC Financial Services (see note 1)
Virginia Holmes	4 April 2012	3 years	6 days**	Financial Services (Chairman) Pensions (Chairman) Nominations Remuneration
Alasdair Marnoch	23 May 2012	3 years	55 days***	ARC (Chairman)
Neil McCausland	22 September 2011	4 years	5 months, 24 days	Remuneration (Chairman) ARC Nominations (see note 2)

*The Chairman has decided to stand down in July 2015, at which time she will have been in post for four years. The process to recruit a new chairman is in hand.

**Virginia Holmes has been offered and has accepted a new three year term from the expiry of her existing terms of appointment.

***Alasdair Marnoch has been offered and has accepted a new term, expiring 31 July 2015, from the expiry of his existing terms of appointment.

Note 1 - Tim Franklin is also Chairman of the Post Office Advisory Council

Note 2 - Neil McCausland is also a Member of the Post Office Advisory Council

Board Meetings

The Board meets at least eight times a year. During 2014/15 it met 12 times (including meetings by telephone for time critical issues). A record of Directors' attendance is set out in the table below.

Director	Meetings Attended (attended/eligible to attend)
Alice Perkins	12/12
Richard Callard	12/12
Chris Day*	10/10
Tim Franklin	12/12
Virginia Holmes	11/12
Alasdair Marnoch	12/12
Neil McCausland	11/12
Paula Vennells	12/12
Alisdair Cameron**	2/2

* Resigned 28 January 2015
** Appointed 28 January 2015

The Non-Executive Directors also met twice during the period without the Executive Directors.

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Role and responsibilities

The Board is accountable to the Secretary of State for BIS for the performance of the Post Office and is required to notify the Shareholder of certain actions, as set out in the Articles of Association.

The Board is also responsible for ensuring compliance with all legal and regulatory requirements, supervising the management of the business, providing constructive challenge to the Group Executive and communicating with the Shareholder. It has a Schedule of Matters reserved for its decision and has approved terms of reference for its Committees which are provided on the Post Office website.

The Board approved the Business Plan in March 2014 and regularly reviews reports on performance against that Plan, together with receiving periodic business reports from senior management. Directors are briefed on matters to be discussed at Board and Committee meetings by papers distributed in advance, as well as by management presentations.

In setting the risk appetite for the Post Office and establishing a framework to manage and mitigate risk, the Board takes guidance from its Audit, Risk and Compliance Committee, to which it delegates oversight of risk management. This committee receives reports from the Group Executive's Risk and Compliance Committee and from the internal and external audit teams. Further detailed information on the management of risk within the Post Office, together with identification of principal risks, their impacts and mitigation, can be found elsewhere in this report.

The Board may, in the furtherance of its duties, seek independent professional advice at the expense of the Post Office. During the period, no director sought independent professional advice. The Articles give the directors power to authorise conflicts of interest. The Board has adopted a procedure by which situations giving rise to potential conflicts of interest are identified to the Board, considered for authorisation and recorded.

Accountability

The Board is accountable to its Shareholder and to the Post Office's large and diverse group of stakeholders. It fulfils these accountabilities through regular briefings by the Chief Executive and Chief Financial Officer to the Shareholder and by the provision of its annual report and financial statements and its mid-year interim report. Of particular importance for accountability is its identification of principal risks, their impacts and mitigations, and its assurance of the existence of sound risk management and internal control systems.

Key focus and achievements in 2014/15

During the year to 29 March 2015 the Board focused on Strategy, Financial Performance, Network and Crown Transformation, and the capability of the business. It also approved the commencement of trading of Post Office Management Services Limited, to support the Group's expanded and enhanced financial services offerings.

Board effectiveness

The effectiveness of the Board is vital to the success of the Post Office.

An internal Board effectiveness review was carried out during January and February 2015. The Chairman conducted one to one interviews with all the Non-Executive Directors, the Chief Executive, the Chief Financial Officer and the Company Secretary, as well as receiving written input from the Group Executive. Following completion of the interviews, the Chairman correlated the results and presented her findings to the Board on 25 March 2015. An appraisal of the personal effectiveness of the Chairman was undertaken by Neil McCausland, Senior Independent Director.

The review concluded that the Board, its individual directors and its Committees continued to be effective and that the Directors had the requisite balance of skills, experience, independence and knowledge to enable them to discharge effectively their respective duties and responsibilities.

No significant areas of concern were identified. The review did identify some areas where improvements could be made and, in addressing these, the Board will continue to review its committee structure and the Group Executive will work on enhancing the effectiveness of the Board papers.

An externally facilitated Board effectiveness review will be carried out in 2016.

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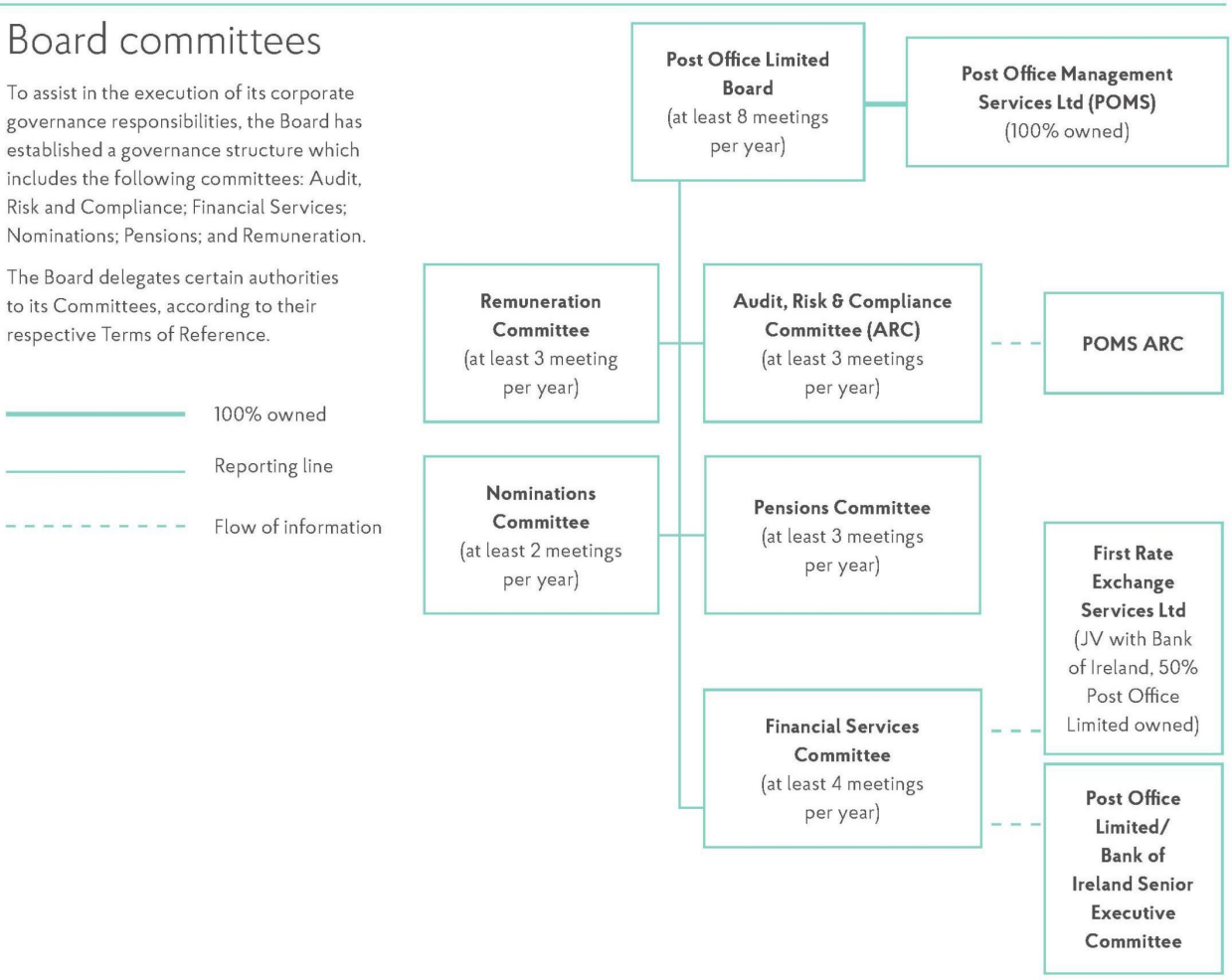
Board committees

To assist in the execution of its corporate governance responsibilities, the Board has established a governance structure which includes the following committees: Audit, Risk and Compliance; Financial Services; Nominations; Pensions; and Remuneration.

The Board delegates certain authorities to its Committees, according to their respective Terms of Reference.



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Audit, Risk and Compliance Committee

During 2014/15, the main focus of the Audit, Risk and Compliance Committee was oversight of the financial statements and review of the risk management procedures.

Membership

The Committee is chaired by Alasdair Marnoch and the other members are Tim Franklin and Neil McCausland. All are independent Non-Executive Directors. There were no changes to the membership during 2014/15.

The Board considers that the Committee's members have broad commercial knowledge and extensive business leadership experience, and that this constitutes a broad and suitable mix of business and financial experience and expertise.

Meetings

The Committee's Terms of Reference require that it meets a minimum of three times a year and that two members must be in attendance for a meeting to be quorate. In 2014/15 there were five meetings of the committee and the members' attendance is set out below:

Committee Member	Meetings Attended (attended/eligible to attend)
Alasdair Marnoch	5/5
Tim Franklin	5/5
Neil McCausland	5/5

The Head of Internal Audit attended all committee meetings and also met the Committee Chairman, as required, through the year. The external auditor was also invited to attend Committee meetings as appropriate.

Role of the Committee

The Committee operates in accordance with its Terms of Reference which were last reviewed by the committee in November 2013 and approved by the Board. A copy of the Terms of Reference can be downloaded from postoffice.co.uk.

The Committee's purpose is to assist the Board in fulfilling its fiduciary responsibilities by:

- Contributing an independent view on the accounting, financial control and financial reporting practices of the Post Office;
- Taking all reasonable steps to ensure accurate and informative corporate financial reporting and disclosures which meet appropriate accounting and corporate governance standards; and
- Providing oversight of the Post Office risk management systems, operational controls and key systems, including the steps taken to mitigate those risks.

The Committee is also tasked with the governance of the auditing services, which includes reviewing and making recommendations to the Board on the nomination or discharge of the independent external auditors. The committee reviews and agrees the annual audit plans for both external and internal audit, ensures the appropriateness of Post Office relationship with the external auditor is managed, considers the external auditor's independence and endorses its remuneration and terms of engagement for approval by the Chief Financial Officer.

The Committee receives reports, as appropriate, from the Executive Risk and Compliance Committee. Further detailed information on the management of risk within the Post Office, together with identification of principal risks, their impacts and mitigation, can be found elsewhere in this report.

Work carried out by the Committee in 2014/15

During the year, the Committee reviewed and recommended that the Board approve the annual report and financial statements for 2013/14 and the interim report for 2014/15. It also approved the annual audit plans for both the internal audit function and the external auditors, Ernst & Young LLP.

The Committee oversaw the continuing development of the Post Office risk management, internal control and internal audit procedures, moving towards further compliance with the provisions of the Code. It also oversaw the development of the Post Office Risk Appetite Statement, which has now been adopted by the Board.

The Committee considered a risk update on financial services compliance and reviewed the arrangements for disaster recovery.

During the year, 29% of the total fees paid to Ernst & Young was for non audit services, an increase on the 23% paid in 2013/14.

Evaluation of the Committee

In January 2015 the Committee noted the results of the self-assessment of its performance which had been carried out at the end of 2014, and concluded that there had been an improvement in processes during the year.

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Financial Services Committee

During 2014/15, the main focus for the Financial Services Committee was to support and challenge the acceleration and growth of the financial services business.

Membership

The Committee is chaired by Virginia Holmes and the other members are Tim Franklin, non-executive director and Alisdair Cameron, Chief Financial Officer. There was one change to the membership during 2014/15, when Alisdair Cameron was appointed on 25 March 2015, following the departure of Chris Day, former Chief Financial Officer, on 28 January 2015.

Meetings

The Committee's Terms of Reference require that it meets a minimum of four times a year and that two members must be in attendance for a meeting to be quorate. In 2014/15 there were seven meetings of the Committee and the members' attendance is set out below:

Committee Member	Meetings Attended (attended/eligible to attend)
Virginia Holmes	7/7
Alisdair Cameron*	0/0
Chris Day**	6/6
Tim Franklin	6/7

*appointed to Committee 25 March 2015
**resigned 28 January 2015

Role of the Committee

The Committee operates in accordance with its Terms of Reference, which were approved by the Board in January 2014 when the Committee was established. A copy of the Terms of Reference can be downloaded from postoffice.co.uk.

The Committee's key responsibilities are to:

- Provide guidance on, oversight of and authorisation for, the development of the Post Office's financial services;
- Review key activities of the Financial Services strategic programme, including those activities of First Rate Exchange Services Limited (a 50 per cent joint venture with the Bank of Ireland);
- Provide guidance to the Financial Services management team;
- Consider Risk Management matters prior to consideration and decision by Audit, Risk and Compliance Committee; and
- Receive a quarterly report on Financial Services, including a copy of the Risk Register.

Work carried out by the Committee in 2014/15

During the period, the Committee oversaw and monitored all activity concerned with financial services, including considering the annuities and investments strategy, business updates, sales, risk management, customer conduct, compliance matters, managing the relationship with strategic partners and general financial services strategy. It also oversaw the planning and implementation of the commencement of trading of the Post Office's subsidiary, Post Office Management Services Limited.

Evaluation of the Committee

The performance of the Committee was not evaluated during 2014/15.

Nominations Committee

During 2014/15, the main focus for the Nominations Committee was the appointments of a new Chief Financial Officer and a new General Counsel.

Membership

The Committee is chaired by Alice Perkins, Chairman and the other members are Virginia Holmes and Neil McCausland, the Senior Independent Director. There were no changes to the membership during 2014/15.

Meetings

The Committee's Terms of Reference require that it meets a minimum of twice a year and that two members must be in attendance for a meeting to be quorate. In 2014/15 there were six meetings of the Committee and the members' attendance is set out below:

Committee Member	Meetings Attended (attended/eligible to attend)
Alice Perkins	6/6
Virginia Holmes	6/6
Neil McCausland	6/6

Role of the Committee

The Committee operates in accordance with its Terms of Reference, which were last reviewed by the Committee and approved by the Board in March 2015. A copy of the Terms of Reference can be downloaded from postoffice.co.uk.

The Committee's key responsibilities are to:

- Make recommendations to the Board regarding any changes in Board membership;
- Keep under review the balance of skills, experience and diversity available within the Board and each of its committees;

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- Manage the process for recruiting and replacing Board Directors (excluding the non-executive director nominated by the Shareholder as their representative), members of the Group Executive, the Company Secretary and Directors of Post Office Management Services Limited;
- Actively manage succession planning for high level appointments; and
- Oversee the process for Board and committee performance evaluation.

Work carried out by the Committee in 2014/15

During the period, the Committee oversaw the appointment of a new Chief Financial Officer and a new General Counsel and considered appointments to the Board of Post Office Management Services Limited. It also provided oversight for the Board and committee performance evaluations.

The Committee used the services of Russell Reynolds Associates to undertake market searches for executive appointments, and Saxton Bamfylde to undertake similar searches for non-executive appointments and to advise on succession planning. Neither firm had any other connection with the Post Office.

Evaluation of the Committee

In January 2015 the Committee noted the results of the self-assessment of its performance which had been carried out at the end of 2014. The positive results had shown an improvement in processes during the year.

Pensions Committee

During 2014/15, the main focus for the Pensions Committee was the agreement to create the Post Office Pension Plan for all new employees and existing members of the Royal Mail Defined Contribution Plan.

Membership

The Committee is chaired by Virginia Holmes and the other members are Richard Callard (the ShEx representative) and Alisdair Cameron, Chief Financial Officer. There were two changes to the membership during 2014/15, Richard Callard was appointed on 8 October 2014 and Alisdair Cameron was appointed on 25 March 2015, following the departure of Chris Day, former Chief Financial Officer, on 28 January 2015.

Meetings

The Committee's Terms of Reference require that it meets a minimum of three times a year and that two members must be in attendance for a meeting to be quorate. In 2014/15 there were six meetings of the Committee and the members' attendance is set out below:

Committee Member	Meetings Attended (attended/eligible to attend)
Virginia Holmes	6/6
Richard Callard*	4/4
Alisdair Cameron**	0/0
Chris Day***	5/5

*appointed to Committee 8 October 2014
**appointed to Committee 25 March 2015
***resigned 28 January 2015

Role of the Committee

The Committee operates in accordance with its Terms of Reference which were last reviewed by the Committee in July 2014 and approved by the Board. A copy of the Terms of Reference can be downloaded from postoffice.co.uk.

The Committee's key responsibilities are to:

- Make recommendations to the Board in respect of pensions and pre-retirement risk benefits provision within the Post Office;
- Put into effect appropriate investment strategies for the Post Office section of the Royal Mail Pension Plan (RMPP) on behalf of the Board and in line with the Board's investment beliefs; and
- Continue to monitor and keep under review, with the assistance of AON Hewitt, the investment of RMPP assets by actively engaging with the Royal Mail Pension Trustees Limited and its Investment Subcommittee.

Work carried out by the Committee in 2014/15

2014 saw the agreement to create the Post Office Pension Plan for all new employees and existing members of the Royal Mail Defined Contribution Plan. On 1 April 2015 the new plan was launched, marking a milestone in the separation of the Post Office from Royal Mail Group and enabling the Post Office to have its own dedicated scheme for the first time.

Evaluation of the Committee

In March 2015, the Committee noted the results of the self-assessment of its performance which had been carried out in the preceding months. As a result of the evaluation, the Committee agreed to some changes to enhance its performance.

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Remuneration Committee

During 2014/15, the main focus for the Remuneration Committee, in addition to its standard business, was the remuneration packages for the new General Counsel and the new Chief Financial Officer.

Membership

The Committee is chaired by Neil McCausland, the Senior Independent Director, and the other members are Alice Perkins, Chairman, and Virginia Holmes. All members are independent non-executive directors. There were no changes to the membership during 2014/15.

Meetings

The Committee's Terms of Reference require that it meets a minimum of three times a year and that two members must be in attendance for a meeting to be quorate. In 2014/15 there were six meetings of the Committee and the members' attendance is set out below:

Committee Member	Meetings Attended (attended/eligible to attend)
Neil McCausland	6/6
Virginia Holmes	6/6
Alice Perkins	6/6

The Chief Executive may attend meetings, at the invitation of the Chairman, to discuss matters relating to the remuneration of the Chief Financial Officer and members of the Group Executive. However, the Committee is careful to recognise and manage conflicts of interest when receiving views from the Group Executive and upholds the principle that no individual may be involved in discussions concerning their own remuneration.

Role of the Committee

The Committee operates in accordance with its Terms of Reference, which were last reviewed by the Committee and approved by the Board in March 2015. A copy of the Terms of Reference can be downloaded from postoffice.co.uk.

The Committee's key responsibilities are to:

- make recommendations to the Board on the remuneration strategy and any changes to individual elements of the remuneration package for Executive Directors; members of the Group Executive who report directly to the Chief Executive; and other senior level appointments with comparable remuneration;
- provide an oversight function for the remuneration of the Directors of the Post Office Management Services Limited Board;
- obtain information on salary levels across the business and within external organisations of comparable size, in order to set remuneration levels within an appropriate context, while being mindful that any remuneration increases should correspond with corporate and individual performance improvements; and
- have oversight of, approve and make recommendations to the Board in respect of remuneration levels for new senior executive appointments. In doing so, it liaises and works closely with the Nominations Committee.

However, any changes in remuneration for directors of Post Office Limited must be approved in advance by the Shareholder, while the remuneration of the Chairman and of the Non-Executive Directors is set by the Shareholder. Also, no material changes can be made to Directors' base salaries, benefits or incentives without Special Shareholder consent.

Further details of the incentive schemes now in place, and a table setting out the remuneration paid to all Directors in the year to 29 March 2015, are provided in the Directors' Remuneration Report on pages 46-57.

Work carried out by the Committee in 2014/15

The Committee is permitted to consult with external consultants and in the year under review, advice was primarily obtained from New Bridge Street Consultants on market practice and benchmark development. New Bridge Street Consultants is part of the Aon Consulting Group that, under its Aon Hewitt brand, acts as investment adviser to the Post Office section of the Royal Mail Pension Plan. The Post Office is satisfied that these two provisions of advice, from different parts of the Aon Consulting Group, are managed separately and therefore present no compromise of independence.

During the period, the Committee considered and made recommendations to the Board in respect of the remuneration for the Chief Financial Officer and the General Counsel.

Evaluation of the Committee

In January 2015 the Committee noted the results of the self-assessment of its performance which had been carried out at the end of 2014. The positive results had shown an improvement in processes during the year.

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The Group Executive

Below main Board level, the Group Executive is the most senior management body and is comprised of the Chief Executive, each of her direct reports and the Company Secretary.

Membership

The Group Executive is chaired by Paula Vennells, Chief Executive and the other members are:

Alisdair Cameron
Chief Financial Officer (joined the Post Office in January 2015)

Martin George
Commercial Director

Kevin Gilliland
Network and Sales Director

Neil Hayward
Group People Director

Nick Kennett
Financial Services Director

Alwen Lyons
Company Secretary

Jane MacLeod
General Counsel (joined the Post Office in January 2015)

Other members of the Group Executive during 2014/15 were:

Chris Aujard
General Counsel (left the Post Office in March 2015)

Chris Day
Chief Financial Officer (left the Post Office in January 2015)

Role of the Group Executive

The Group Executive implements the strategy agreed by the Board and monitors business performance and development at a day-to-day level. It meets regularly to discuss latest developments, to discuss proposals for new business development, to receive financial and other performance reports, and to monitor business transformation and commercial development. It will also address any urgent issues that have arisen within the business and which require senior level resolution. Twice yearly, it reviews the results of personal performance assessments undertaken throughout the organisation.

The Chief Executive, Chief Financial Officer and the Company Secretary also attend meetings of the Board which facilitates and strengthens the communication channels between the senior leadership, the Board and its Committees.

The Group Executive is supported by four Committees: Transformation; Cost Reduction; Risk and Compliance; and Pay and Reward.

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Risk Management

Risk Governance

The Post Office Board is responsible for the risk management and internal control systems in the Post Office, for reviewing their effectiveness and for determining the nature and extent of the principal risks. Responsibility for day-to-day operations rests with members of the Group Executive. The risk management and internal control systems are considered appropriate by the Board for Post Office activities and are designed to manage rather than eliminate the risk of failure to achieve the Post Office strategic objectives and expansion in its chosen markets. The risk management and internal control systems provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board confirms that there is an on-going process of identifying, evaluating and managing the principal risks faced by the Post Office, that it regularly reviews the process and that this has been in place for the year under review and up to the date of approval of the annual report and financial statements.

The year ahead will see further evolution of the framework to ensure it continues to meet requirements and support the aims of the strategic plan and transformation of the Post Office.

Risk Management Framework

In order to deliver its objectives, the Post Office is required to identify, assess and manage a wide range of risks. These are managed through an overarching framework in order to apply consistency and transparency of risk management across the organisation. The framework identifies roles and responsibilities of key parties in the risk management process, the policies for how risks are managed, the tools and processes used and the reporting outputs that are generated.

Risk Oversight

Oversight of risk management is carried out by the Audit, Risk and Compliance Committee on behalf of the Board. The Risk and Compliance Committee provides oversight on behalf of, and reports to, the Group Executive in relation to the risk management policy and the management of the principal risks for Post Office. This Committee is chaired by the General Counsel and membership includes the Chief Executive and the Chief Financial Officer.

Progress

The Group Executive has identified and manages the principal risks in the organisation, focusing on those that affect the 2020 strategy. These risks, with their response plans, are reviewed at the Risk and Compliance Committee and the Audit, Risk and Compliance Committee to assure the robustness of risk assessment and management.

Risk Appetite

The Post Office has articulated its risk appetite in relation to the most material risks with a view to managing better the key strategic risks and assessing the risks in relation to new opportunities. During the year, the Board adopted this Risk Appetite Statement.

Business Continuity

The Post Office brings together a wide range of business continuity arrangements throughout the Group under one central policy and governance framework, to ensure that the business is capable of withstanding any significant threat to its on-going operations. The Post Office is committed to ensuring its business has adequate resilience and planning that protects its customers, clients, brand and reputation from business continuity threats, risks and incidents.

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Directors' report

The Directors present the Group Annual Report and Financial Statements for the year ended 29 March 2015.

Expected future developments

Expected future developments are detailed in pages 11 to 17.

Results and dividends

The loss after taxation for the year was £54m (2014: profit £170m). The Directors do not recommend the payment of a dividend (2014: £nil dividend).

Political contributions

No political contributions were made in the year (2014: £nil).

Research and development

There was no research and development expenditure during the year (2014 £nil).

Directors and their interests

The following served as Directors during the year:

R J Callard
C M Day (resigned 28 January 2015)
T A Franklin
V A Holmes
A Marnoch
N W McCausland
A Perkins CB
P A Vennells
A Cameron (appointed 28 January 2015)

No Director has a beneficial interest in the share capital of the Post Office. The emoluments of Directors are set out in the Directors' Remuneration Report which appears on pages 46 to 57.

People

Our goal is to ensure that all employees, postmasters and their assistants are engaged and involved in the business and are aligned and equipped to meet our shared objectives.

As part of our commitment to drive better service for customers we continue to focus on improving the quality of our leadership, professionalising key roles and achieving greater involvement from employees, postmasters and their representative bodies.

Learning and development programmes have been put in place to support our ambition to improve sales capability, creating a high performance customer-oriented culture. This ambition is further supported by a range of bonus schemes that are based on the achievement of business targets.

Underpinning all of this, is a need for dignity and respect in the workplace, where everybody feels valued, is treated fairly and equally, and all our people play a full part in helping the business to achieve its goals.

We conduct regular employee engagement surveys, which provide employees and postmasters the opportunity to express their views and opinions on important issues. This two-way communication encourages all our people to contribute towards improving the business and delivering our strategic objectives.

To engender greater engagement, Post Office has structured and systematic communication channels in place, ensuring employees and postmasters are informed on matters which impact them.

Corporate Responsibility

Details of the Post Office corporate responsibility activities are contained within a separate report on page 17.

Disabled employees

The Post Office's policy is to give full consideration to applications for employment from disabled persons. Employees who become disabled while employed receive full support through the provision of training and special equipment to facilitate continued employment where practicable. The Post Office provides training, career development and promotion to disabled employees wherever appropriate.

Post balance sheet events

In accordance with the funding agreement with Government announced on 27 November 2013, for which State Aid approval was received on 19 March 2015, Post Office Limited received £280m of funding on 1 April 2015.

Going concern

After analysis of the financial resources available and cash flow projections for the Post Office, the Directors have concluded that it is appropriate that the financial statements have been prepared on a going concern basis. Further details are provided in accordance with the fundamental accounting concept in note 1 to 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 of the annual report on page 84-85.

Audit information

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

Auditor

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

By Order of the Board

Alwen Lyons
Secretary
Post Office Limited
(Company Number 2154540)
Finsbury Dials
20 Finsbury Street
London
EC2Y 9AQ

1 July 2015

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Directors' Remuneration Report 2014/15

Statement by the Chair of the Remuneration Committee.



Neil McCausland
Chair, Remuneration Committee

I welcome the opportunity to outline the progress made during the Post Office's third year as an independent business.

Our remuneration framework overall, and our approach to Executive Remuneration in particular, remains focused on our aim of becoming a commercially sustainable business with a strong public purpose. We continued to make progress last year, despite challenging market conditions, and the performance of our short term and long term incentive plans reflects this.

We are following a clear strategy to reduce our reliance on Government funding, whilst investing to create a business which is both commercially successful and financially sustainable, and which will remain at the heart of communities across the nation.

The performance criteria used to determine both short term and long term incentives for the 2014/15 financial year were stretching as in previous years.

Bonus performance outturn in 2014/15 was similar to that in 2013/14, and was driven in particular by significant progress in transforming our network, improving levels of engagement from our employees, along with a sustained focus on managing and reducing our cost base.

The remuneration framework for 2015/16 will continue to maintain these broad principles. The short term incentive plan is based on a balanced scorecard of measures that ensures continued alignment with our business strategy and transformation activities. The performance measures for the long-term incentive plan continue to focus on our becoming a sustainable commercial business over time measured predominantly by financial results.

A benchmarking exercise carried out during the recruitment of our new Chief Financial Officer reveals that in making this hiring decision we have set his pay in line with the lower quartile of our comparator group. A similar review undertaken for the role of Chief Executive suggests that her pay is now c 30% below the lower quartile for the same comparator group.

The Chief Executive has not received a pay increase since her appointment and this presents an increasing challenge in terms of salary compression within the business. The Post Office is owned by the Government and we maintain a regular dialogue with our Special Shareholder on all matters related to the remuneration of our Executive Directors.

The Remuneration Committee is confident that the current policy and the adjustments we have made will ensure that there continues to be a strong link between reward and performance. This will support the transformation of the Post Office towards becoming a commercially successful and sustainable business with a reduced reliance on Government funding. I commend this report to our stakeholders.

The Remuneration Report

This report has been prepared in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended in 2013, to the extent that they are applicable for Post Office in its capacity as an unlisted company.

The remuneration report has been split into two sections. The Remuneration Policy Report sets out the Committee's policy for remuneration and its link to the business strategy. The Annual Report on Remuneration sets out how this policy was applied during the year under review, the remuneration received by directors in the year under review and how the Committee intends to implement the policy in the current financial year.

Both sections of the report (pages 46 to 57) have been approved by the Remuneration Committee and the Board.

Neil McCausland
Chair, Remuneration Committee
Post Office Limited
1 July 2015

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Remuneration Policy Report

The Committee is responsible for setting the remuneration packages for the Chief Executive and Chief Financial Officer as well as determining the remuneration policy for the Group Executive.

The Committee's intention is that the remuneration policy aligns with the business strategy and risk profile so that individuals are motivated to deliver the Post Office's objectives and protect its value. The Post Office remuneration strategy is based on the following:

- Attracting and retaining the right people within an agreed policy to lead and deliver the strategic plan;
- Using incentives appropriately to reward the achievement of the turnaround strategy and promote the long-term viability of the organisation;
- Reinforcing an emerging culture of mutual ways of working and partnership; and
- Providing a transparent approach to the disclosure of pay.

Remuneration Policy Summary

The table describes the current remuneration and the breakdown of the packages for the Executive Directors, which comprise fixed pay (base salary, benefits and cash in lieu of pension contributions) and pay at risk (STIP and LTIP).

The remuneration framework for the Executive Directors requires consent from the Special Shareholder each year

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Remuneration policy table

Element	Link to strategy	Operation	Maximum values
Base salary	Determined by reference to the skills and responsibilities of the individual. When determining base salary increases, consideration is given to (i) pay and employment conditions elsewhere in the Post Office and (ii) market data on comparable roles.	Directors' salaries are reviewed annually in July of each year. The external pay benchmarking group is a basket of comparators, selected and agreed with the Special Shareholder.	There is no formal cap set on salaries. However, when reviewing salaries, the Committee also pays close attention to the level of salary increases across the rest of the workforce.
Benefits	Participation in life insurance, health cover schemes and company car schemes are part of Post Office wide benefit programmes.	The value of the benefits package is monitored by the Committee and benchmarked against comparator organisations.	The value of the core benefit is reasonable and in proportion with the market.
Pension	Pension provision is provided by the Post Office and is available to all eligible employees to help them meet their retirement needs and provide a competitive remuneration package. Executive Directors receive a salary supplement in lieu of pension scheme membership.	A contribution in lieu of pension is paid as a cash supplement to the Chief Executive and Chief Financial Officer.	25% of salary
Non-Executive Directors' fees	To attract and retain a high calibre Chairman and Non-Executive Directors.	The fees for the Chairman are reviewed by the Committee and approved by the Special Shareholder. The fees of the Non-Executive Directors are reviewed by the Executive Directors and submitted to the Special Shareholder. The Chairman is paid a single fee to cover all her duties. The Non-Executive Directors are paid a basic fee together with additional fees for chairing Board Sub-Committees or the role of Senior Independent Director. No fees to the Chairman or Non-Executive Directors are pensionable. The fees have not been increased since appointment.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for employees and the Executive Directors.

Notes to the policy table

The framework is approved by the Special Shareholder.

Differences in remuneration policy for the Executive Directors and employees generally

The remuneration policy for the Executive Directors takes account of their level of responsibility and their influence over the Post Office's performance. Accordingly, a higher proportion of their total remuneration package is at risk and subject to performance (under the STIP and LTIP). The incidence and potential amounts payable under such incentives across the workforce are determined by their role and grade within the organisation.

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Element	Link to strategy	Operation	Maximum values
Long-term Incentive Plan (LTIP)	The LTIP is designed to reward and retain key executives and senior managers and to incentivise the achievement of longer term performance goals. The payout of the award is based on the achievement of strategic targets linked to the longer term development growth of a sustainable business.	Performance measures for the LTIP are drawn from the Post Office Strategic Plan agreed with the Special Shareholder. LTIP awards are made annually. The performance targets are agreed with the Special Shareholder in advance of each grant and will be described annually in the Report on Remuneration. LTIP awards may be subject to clawback as described in more detail on page 51.	The maximum LTIP opportunity for the Chief Executive is 98% of salary for maximum performance, on target is 70% of salary, the threshold is 56% of salary and minimum of 0%. The maximum LTIP opportunity for the Chief Financial Officer is up to 70% of salary for maximum performance, on target is 50%, threshold is 40% of salary and minimum is 0%.
Short-term Incentive Plan (STIP)	The STIP drives and rewards performance over a single financial year, against a set of key financial and operational targets taken from the balanced scorecard, set each year according to the current priorities for the business. STIP awards are also linked to the achievement of personal performance objectives.	The metrics and target ranges are agreed annually with the Board and the Special Shareholder as part of the annual business and budget planning cycle. 80% of the target STIP award is based on a balanced scorecard and 20% is based on individual performance objectives which are agreed with the Board and require approval by the Special Shareholder. The balanced scorecard is set annually to include a mix of financial and non-financial measures (including customer, modernisation and employee engagement measures). The precise metrics and their weightings are determined at the start of each financial year. STIP awards may be subject to clawback as described in more detail on page 51.	The maximum STIP opportunity for the Chief Executive is 73.6% of salary (with 48% of salary being payable for on-target performance, with a threshold of 3.8% of salary and a minimum of 0%). The maximum STIP opportunity for the Chief Financial Officer is 61.4% (with 40% payable for on-target performance, with a threshold of 3.2% of salary and a minimum of 0%).

Choice of performance measures and approach to target setting under the STIP and LTIP

- Under the STIP, performance is based on achievement against a balanced scorecard and delivery of personal objectives. The balanced scorecard measures achievement of the Post Office's key operational objectives and includes metrics for financial performance and commercial sustainability, customer, people and modernisation. The Committee reviews the components of the scorecard each year and varies them as appropriate to reflect the priorities for the business in the year ahead
- Under the balanced scorecard, a sliding scale of targets is set for each metric to encourage continuous improvement and challenge the delivery of stretch performance.
- Under the LTIP, a minimum level of EBITDAS (Earnings Before Interest, Tax, Depreciation, Amortisation and Subsidy) must always be met in order for any payment to be made. In addition a 'gateway' measure of Access Criteria must be met to trigger any payment. The metrics were carefully chosen to align with the Post Office's long-term strategic plan, as agreed with the Special Shareholder. The metrics are reviewed annually for each new scheme to ensure that they remain aligned to the longer term strategic objectives of the Post Office.

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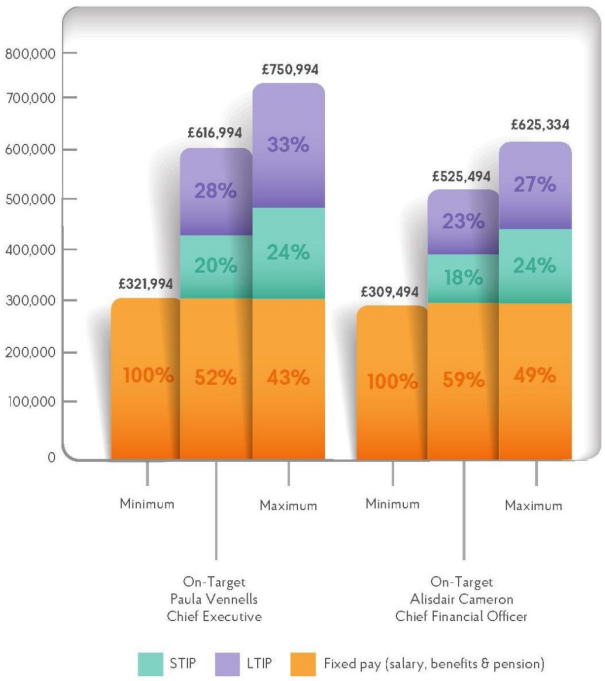
Performance scenarios 2015/16

The chart below shows the quantum and composition of the current remuneration policy for the Executive Directors under three performance scenarios.

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



Approach to recruitment remuneration

The remuneration package for a new Executive Director would normally be set in accordance with the terms of the Post Office's remuneration policy in force at the time of appointment.

The salary for a new Executive Director may be set below the normal market rate, with phased increases over the first few years as the Executive Director gains experience in their new role. Sometimes, to facilitate an external recruitment, it may be necessary to consider reasonable compensation for remuneration relinquished at a former employer (buyout award). Should this be the case, the terms of any buyout award would reflect (as far as is reasonably possible) the nature, performance conditions and time horizons attaching to the remuneration foregone with the overall package tailored to the individual. Any such award would require approval by the Special Shareholder.

For an internal appointment, any variable pay element awarded in respect of their previous role will be allowed to pay out according to its terms, adjusted as relevant to take into account their appointment.

Statement of pay considerations elsewhere in the Post Office

The Committee takes into account the pay and employment conditions of employees elsewhere in the Post Office when setting the remuneration policy for the Executive Directors. The balanced scorecard used for the STIP for Executive Directors is also used to assess performance in the annual bonus for Post Office managers, providing alignment between performance and reward for all employees at manager level and above.

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Contracts and loss of office payment policy

Each of the Executive Directors has a signed contract with the 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. In summary, the contractual provisions are as follows

Notice period	Other than for certain events such as gross misconduct (in which no notice must be provided by the Post Office), twelve months to be given by the Post Office and six months by the Director.
Remuneration-related provisions	Payments in lieu of notice of salary only. Payments in lieu of notice are not pensionable.
Change of control	There are no enhanced provisions on a change of control

The Committee may, at its discretion, approve payment of a bonus to an Executive Director under the STIP and LTIP, pro rata for the period they were in office. The Committee will take into account the reason for leaving and the contribution made to the performance of the business.

Under the LTIP, the default treatment is that any outstanding awards will lapse on termination of employment. However, in certain prescribed 'good leaver' circumstances, the awards remain subject to performance conditions measured to, and paid after, the end of the performance period, and reduced pro rata to reflect the portion of the period they were employed. The definition of good leaver status is set out in the rules.

Clawback provision

Executive Directors have clawback clauses in their contracts, as well as the STIP and LTIP rules, which provide for the return of any over-payments in the event of mis-statement of the accounts, error or gross misconduct on the part of an Executive Director. These provisions are structured in line with market best practice.

Non-Executive Directors

Non-Executive Directors' Letters of Appointment are described in the Corporate Governance statement (see page 35).

Statement of consideration of shareholder views

The Chairman of the Committee communicates regularly with the Shareholder Executive on behalf of the Special Shareholder on all matters concerning executive remuneration and the Special Shareholder approves all aspects of the framework for Executive Director Remuneration.

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Annual Report on Remuneration

Remuneration for each Director for the Financial Year 2014/15 (audited)

Name	Annualised salary/fees 2014/15	Actual salary/fees 2014/15	Benefits 2014/15	Cash in lieu of pension 2014/15	STIP 2014/15	LTIP 2014/15	Total 2014/15	Total 2013/14
Non-Executive Directors								
Tim Franklin	£40,000	£40,000	-	-	-	-	£40,000	£37,097
Virginia Holmes	£40,000	£40,000	-	-	-	-	£40,000	£37,097
Alasdair Marnoch	£45,000	£45,000	-	-	-	-	£45,000	£45,000
Neil McCausland	£50,000	£50,000	-	-	-	-	£50,000	£50,000
Alice Perkins	£100,000	£100,000	-	-	-	-	£100,000	£100,000
Richard Callard (Note 1)	£0	£0	-	-	-	-	£0	£0
Executive Directors								
Paula Vennells (Note 2)	£250,000	£250,000	£9,455	£62,500	£88,032	£112,000	£521,987	£543,852
Chris Day (Note 3)	£215,000	£179,167	£7,880	£44,792	£48,275	£45,484	£325,598	£373,925
Alisdair Cameron (Note 4)	£240,000	£57,419	£2,281	£14,953	£15,471	£0	£90,124	N/A
Total 2014/2015		£761,586	£19,616	£122,245	£151,778	£157,484	£1,212,709	£1,186,971

Note 1: Richard Callard is an employee of the Shareholder Executive of the Department for Business, Innovation and Skills.

Note 2: The salary for Paula Vennells remained unchanged from 2013/14.

Note 3: Chris Day resigned from the Board on 28 January 2015 and left the business on 31 January 2015. In addition to the salary and benefits shown he received a payment in lieu of notice of £179,167 (see page 55).

Note 4: Alisdair Cameron was appointed to the Board on 28 January 2015. As Mr Cameron joined the Post Office as Chief Financial Officer (designate) on 5th January 2015, earnings are shown from the time he joined the Post Office.

Benefits comprise a company car (or cash equivalent), participation in life insurance and health cover schemes.

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Pay at risk paid to Executive Directors in 2014/15 (audited)

A) Short Term Incentive Plan 2014/15

Performance metrics

The STIP payable to the Executive Directors is based on the 2014/15 Post Office balanced scorecard (80%) and personal performance (20%). Six measures in the scorecard were identified for use in the STIP. These relate to financial performance (45%), customer experience (15%), our people (15%) and achievement of specific objectives related to the modernisation programme (25%).

	Maximum opportunity as a % of base salary		Perfomance	Payouts as a % of base salary	
Measure	Chief Executive	CFO	Indicative vs Target	Chief Executive	CFO
Net Income	12.8%	10.7%	Below target	0%	0%
Operating Profit	16.0%	13.3%	Above target	9.9%	8.2%
Customer Experience	9.6%	8.0%	Below Target	0%	0%
People	9.6%	8.0%	Above target	9.6%	8.0%
Crown profit loss	8.0%	6.7%	Below Target	0%	0%
Modernisation	8.0%	6.7%	Above target	8.0%	6.7%
Personal Objectives	9.6%	8.0%	-	7.7%	4.0%
Total	**73.6%**	**61.4%**	-	**35.2%**	**26.9%**

Note: The fall in operating profit is explained by the reduction in the Government subsidy. Earnings before interest, tax, depreciation, amortisation, and subsidy (EBITDAS) increased by 35.5%.

Specific targets are deemed to be commercially sensitive and are not disclosed.

The personal objectives for the Executive Directors are agreed by the Board and approved by the Special Shareholder. The Personal Objectives for the Chief Executive included building capability and talent of the Post Office leadership team, strengthening external relationships and driving transformation of the business and a culture of change

The personal objectives for the Chief Financial Officers included a reduction in costs whilst building a finance function to manage business performance. The Chief Financial Officer also took on additional responsibilities.

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B) Long-term Incentive Plan awards 2012 – 2015

Performance metrics

The LTIP award to pay out this year is based on the three-year performance period ended 29 March 2015. The award values were as follows:

Executive	Type of award	Basis of award granted	Value of award	Maximum value of award if all performance targets are met	Vesting determined by performance over
Paula Vennells	Cash	70% of salary target award	£175,000	£245,000	Three financial years to 29 March 2015
Chris Day*	Cash	35% of salary target award	£71,069	£99,497	

* 2012/15 LTIP award pro-rated for time in office, Chris Day resigned from the board on 28 January 2015 and left the business on 31 January 2015

Chris Day was treated as a 'good leaver' under the Scheme Rules for the 2012/15 award, with performance measured to the usual time and pro-rated for length of service. Awards under the 2013/16 and 2014/17 schemes have lapsed.

The primary performance condition for the 2012 award was operating profit (sliding scales of targets) based on the strategy plan. The secondary performance condition was modernisation which also acted as a secondary gateway (the access criteria being the first gateway).

Operating profit before exceptional items for the year-ended 29 March 2015 (£100 million) was between the target and stretch level.

The STIP and LTIP paid out to the Chief Executive and Chief Financial Officer expressed as a percentage of salary is shown below.

	STIP (payments as a % of salary)		LTIP (payments as a % of salary)	
	2013/14	2014/15	2013/14	2014/15
Chief Executive	31%	35%	58%	45%
CFO (Chris Day to 31 Jan 2015)	25%	27%	19%	25%
CFO (Alisdair Cameron from 5 Jan 2015)	N/A	27%	N/A	N/A

The 2014/15 STIP payments for Chris Day and Alisdair Cameron and the 2014/15 LTIP for Chris Day are pro-rated for time spent in the business. The percentage figures shown reflect actual payments as a proportion of actual salary received.

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Outstanding interests in Long-term Incentive Plan

Under the remuneration policy, LTIP awards are granted annually. The Chief Executive and Chief Financial Officer have the following outstanding awards:

	Target award	Stretch award	Performance period
Paula Vennells, Chief Executive			
2013 LTIP	£175,000	£245,000	Three years to March 2016
2014 LTIP	£175,000	£245,000	Three years to March 2017
Alisdair Cameron, Chief Financial Officer			
2014 LTIP*	£30,000	£42,000	Three years to March 2017

*pro rata for time in office

The 2013 and 2014 LTIP awards are subject to challenging financial and strategic performance conditions based on business profitability and the financial sustainability in line with the Special Shareholder's objectives.

As mentioned above, the outstanding 2013 and 2014 LTIP awards for Chris Day (Chief Financial Officer to 28th January 2015) have lapsed.

Total pension entitlements (audited)

Paula Vennells, Chris Day, and Alisdair Cameron all received a cash supplement of 25% base pay in lieu of pension scheme membership.

Paula Vennells was previously an active member of the Royal Mail Senior Executives Pension Plan (an HMRC approved defined benefit occupational pension scheme) until 5 April 2012 when she left the scheme. As a result she retains past pensionable service up until the date she left. Any increases in the deferred pension amount are due to revaluation not new accrual.

Payments for loss of office

Chris Day left the Post Office on 31 January 2015. Under the terms of his service agreement he received a payment of £179,167, being 10 months' salary as compensation for loss of office as follows:

Chris Day was entitled to 12 months' pay; however he worked for 2 months of his notice and was paid for the remaining 10 months.

It was agreed he would retain the entitlement to the 2012/15 LTIP and the STIP for 2014/15 on a pro-rated basis. The LTIP awards for 2013/16 and 2014/17 have lapsed.

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Relative importance of the spend on pay (audited)

The table to the right shows the change in employee costs between 2014 and 2015 relative to total revenues:

	2015	2014	% increase
Total People Costs	£238m	£255m	(6.7)%
Of which related to Directors' pay (excluding pay in lieu of notice)	£1.21m	£1.19m	1.7%
Total revenue excluding Network Subsidy Payment	£976m	£979m	(0.3)%

Remuneration of the Chief Executive over time

The table to the right shows the total remuneration of the Chief Executive over four financial years, together with her STIP and LTIP payments in those years:

Percentage change in remuneration of director undertaking the role of Chief Executive

There has been no increase in the level of base salary or benefits since 1 April 2012. Variations in pay are as a result of differing levels of payment under the STIP and LTIP.

	2012[1]	2013	2014	2015
Total remuneration	£456,283	£696,413	£543,852	£521,987
STIP (% of maximum)	86%	79%	38%	48%
LTIP vesting (% of maximum)	No LTIP vested	89%	59%	46%

1. The Post Office became independent from the Royal Mail on 1 April 2012. The Committee has chosen to set out the Chief Executive's pay data since this date

How the Committee intends to implement the remuneration policy in 2015/16

Salaries

The annual base salary for the Chief Executive for 2014/15 was unchanged from the previous year, at £250,000. The Chief Financial Officer joined the Post Office in January 2015 on an annual base salary of £240,000.

The next salary review will take place in July 2015 for the Chief Executive.

The Chief Executive has not been awarded any increase in pay since April 2011. There was no increase in pay in April 2012, when the company began operating independently from the Royal Mail Group and the role of the Chief Executive significantly increased. The remuneration of the Chief Executive has been benchmarked and analysis shows her salary is below the lower quartile of the market.

Performance targets for the STIP and LTIP awards to be granted in 2015 and beyond.

For 2015, the STIP will continue to be based on performance against a balanced scorecard (80%) and personal performance (20%).

The LTIP targets will continue to operate with a performance target, which is predominantly linked to the Company's EBITDAS performance.

The Committee has chosen not to disclose, in advance, the actual targets applying, as these are deemed to be commercially sensitive.

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Recruitment of Chief Financial Officer

Alisdair Cameron was recruited as Chief Financial Officer on a base salary of £240,000, with standard terms for STIP, LTIP, and benefits. In addition, as part of Alisdair Cameron's recruitment, he will be able to earn an additional bonus of up to £75,000 during 2015. This bonus is subject to achieving specific performance conditions during his first 6 months of employment to the end of June 2015. These performance conditions are deemed to be commercially sensitive and will be disclosed next year. This arrangement was put in place to partially compensate for remuneration relinquished by his former employer.

Fees for the Chairman and Non-Executive Directors

The Chairman currently receives a single fee of £100,000. The Non-Executive Directors receive a base fee of between £35,000 and £40,000 together with additional fees of £5,000-£10,000 for chairing Board Sub-Committees and for the role of Senior Independent Director.

No annual increase is proposed to the fees to the Chairman and the other Non-Executive Directors.

Statement of Consideration of Shareholders Views

When setting the Remuneration Policy for the Executive Directors the Remuneration Committee take into consideration the views of the Special Shareholder. The policy for pay at risk concentrates on ensuring remuneration is performance led with targets aligned with those of the Shareholder.

The current economic and political climate is taken into account in terms of restraint on pay to reflect the current practice in the public sector. All remuneration for the Executive Directors requires Special Shareholder approval.

Membership of the Committee

The members of the Committee are listed below. All of these are independent Non-Executive Directors. In total, the Committee met six times and all Committee members attended each meeting, either in person or by conference call.

Committee members

Neil McCausland
Alice Perkins
Virginia Holmes

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

External Advisors

In the year under review, advice on matters related to executive remuneration was primarily obtained from New Bridge Street Consultants (NBS). NBS is part of Aon Consulting Group. The total fees paid to NBS in respect of its services to the Committee during the year were £29,722. Fees are generally agreed in advance for each piece of work carried out by NBS.

NBS is a signatory to the Remuneration Consultants' Code of Conduct. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice that it receives is objective and independent.

Outside directorships

Subject to Board approval, the Executive Directors are permitted to take on Non-Executive positions with other companies.

Paula Vennells is a Director of Hymns Ancient and Modern and received a fee of £6,458 in respect of the year ended 31 March 2015.

Alisdair Cameron is a Non-Executive Director on the Board of Oxford University Hospitals NHS Trust and received a fee of £1,539 in respect of the period from 5 January to 31 March 2015.

Financial statem 3

GRO

"Colleagues involvement with BBC Children in Need is so important. A lot of money raised goes towards community-based projects and the Post Office plays a massive part at the heart of communities"

JULIE POSTGATE
Farnham

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Parent Company, and of the profit or loss of the Group and of the Parent Company for that period.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 of the Company to enable them to ensure that the Group consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation and the Parent Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' report, the Corporate Governance report and the Directors' remuneration report in accordance with the Companies Act 2006 and applicable regulations.

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

The Directors confirm that to the best of their knowledge:

- The Group consolidated financial statements, prepared in accordance with IFRS as adopted by the EU and in accordance with the provisions of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Parent Company financial statements prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The management report contained in this report includes a fair view of the development and performance of the business and the position of the Group as a whole and of the Company, together with a description of the principal risks and uncertainties they face.

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Independent auditor's report

We have audited the consolidated financial statements of Post Office Limited for the 52-week period ended 29 March 2015 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income and Parent Company statement of comprehensive income, the Consolidated statement of cash flows, the Consolidated balance sheet and Parent Company balance sheet, the Consolidated statement of changes in equity and Parent Company statement of changes in equity, and the related notes 1 to 24. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 59, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 29 March 2015 and of the Group's profit for the 52-week period then ended
- the Group's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matters

- The maintenance and integrity of the Post Office Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Angus Grant
(Senior statutory auditor)

for and on behalf of Ernst &Young LLP,
Statutory Auditor
London

1 July 2015

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Consolidated income statement

for the 52 weeks ended 29 March 2015 and 30 March 2014

	Notes	2015 £m	2014 £m
Turnover		**976**	979
Network Subsidy Payment		**160**	200
Revenue		**1,136**	1,179
People costs excluding restructuring costs	3	**(238)**	(255)
Other operating costs		**(834)**	(850)
Share of post tax profit from joint ventures	11	**36**	33
Operating profit before exceptional items	4	**100**	107
Operating exceptional items	5	**(185)**	45
- Government grant		**170**	317
- Royal Mail Pension Plan amendment		**-**	102
- Restructuring costs		**(214)**	(259)
- Other		**(141)**	(115)
Operating (loss)/profit		**(85)**	152
Profit on disposal of property, plant and equipment		**-**	3
(Loss)/profit before financing and taxation		**(85)**	155
Finance costs	7	**(3)**	(3)
Finance income	7	**1**	1
Net financing income relating to pensions	18	**7**	5
(Loss)/profit before taxation		**(80)**	158
Taxation credit	8	**26**	12
(Loss)/profit for the financial year from continuing operations		**(54)**	170

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Consolidated statement of comprehensive income

for the 52 weeks ended 29 March 2015 and 30 March 2014

	Notes	2015 £m	2014 £m
(Loss)/profit for the financial year from continuing operations		**(54)**	170
Other comprehensive income not to be reclassified to profit or loss in future periods			
Remeasurements on defined benefit surpluses	18	**54**	(52)
Income tax effect	8	**(9)**	(2)
Total comprehensive income for the year		**(9)**	116

There are no other comprehensive income items that will be reclassified to the profit and loss in future periods.

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Consolidated statement of cash flows

for the 52 weeks ended 29 March 2015 and 30 March 2014

	Notes	2015 £m	2014 (Restated) £m
Cash flows from operating activities			
Operating profit before exceptional items		**100**	107
Adjustment for:			
Share of profit from joint ventures	11	**(36)**	(33)
Pension operating costs		**28**	27
Working capital movements:		**(17)**	(7)
(Increase)/decrease in trade and other receivables		**(34)**	58
Increase/(decrease) in trade and other payables		**10**	(67)
Decrease in inventories		**-**	2
Increase in non-exceptional provisions		**7**	-
Pension operating costs paid		**(23)**	(24)
Cash (payments)/receipts in respect of operating exceptional items:		**(67)**	12
Government grant		**170**	215
Restructuring costs		**(225)**	(170)
Other		**(12)**	(33)
Net cash (outflow)/inflow from operating activities		**(15)**	82
Income tax recovered		**11**	11
Cash flows from investing activities			
Dividends received from joint ventures	11	**30**	32
Finance income received		**1**	1
Proceeds from sale of property, plant and equipment		**-**	3
Purchase of fixed and intangible assets		**(147)**	(102)
Net cash outflow from investing activities		**(116)**	(66)
Net cash (outflow)/inflow before financing activities		**(120)**	27
Cash flows from financing activities			
Finance costs paid		**(3)**	(2)
Payments to finance lease creditors		**(3)**	(4)
Proceeds/(repayment) of borrowings from BIS		**310**	(291)
Net cash inflow/(outflow) from financing activities		**304**	(297)
Net increase/(decrease) in cash and cash equivalents		**184**	(270)
Cash and cash equivalents at the beginning of the year	13	**637**	907
Cash and cash equivalents at the end of the year	13	**821**	637

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of £821 million (2014 (restated): £687 million) included in note 13, net of a bank overdraft of £nil (2014: £50 million) which is disclosed in note 14.

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Consolidated balance sheet

at 29 March 2015 and 30 March 2014

	Notes	2015 £m	2014 (Restated) £m
Non-current assets			
Intangible assets	9	-	-
Property, plant and equipment	10	10	10
Investments in joint ventures	11	67	61
Retirement benefit surplus	18	205	148
Trade and other receivables	12	10	15
Total non-current assets		292	234
Current assets			
Inventories		6	6
Trade and other receivables	12	397	353
Cash and cash equivalents	13	821	687
Total current assets		1,224	1,046
Total assets		1,516	1,280
Current liabilities			
Trade and other payables	14	(718)	(767)
Financial liabilities – interest bearing loans and borrowings	15	(310)	-
– obligations under finance leases	21	-	(3)
Provisions	16	(57)	(70)
Total current liabilities		(1,085)	(840)
Non-current liabilities			
Other payables	14	(30)	(28)
Provisions	16	(6)	(8)
Total non-current liabilities		(36)	(36)
Net assets		395	404
Equity			
Share capital	19	-	-
Share premium		465	465
Retained earnings		(72)	(63)
Other Reserves		2	2
Total equity		395	404

The financial statements on pages 62 to 98 were approved by the Board of Directors on 1 July 2015 and signed on its behalf by:

P A Vennells
Chief Executive

A Cameron
Chief Financial Officer

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Consolidated statement of changes in equity

for the 52 weeks ended 29 March 2015 and 30 March 2014

	Notes	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At 31 March 2014		**465**	**(63)**	**2**	**404**
Profit for the year		**-**	**(54)**	**-**	**(54)**
Remeasurements on defined benefit surplus	18	**-**	**54**	**-**	**54**
Income tax effect	8	**-**	**(9)**	**-**	**(9)**
At 29 March 2015		**465**	**(72)**	**2**	**395**

Other reserves of £2 million relate to First Rate Exchange Services Holdings Limited, the joint venture entity.

	Notes	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At 1 April 2013		465	(179)	2	288
Profit for the year		-	170	-	170
Remeasurements of defined benefit surpluses	18	-	(52)	-	(52)
Income tax effect	8	-	(2)	-	(2)
At 30 March 2014		465	(63)	2	404

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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 to the 52 weeks ended 29 March 2015 (2014 – 52 weeks ended 30 March 2014).

Basis of preparation

The financial statements on pages 62 to 98 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Unless otherwise stated in the accounting policies below, the financial statements have been prepared under the historic cost accounting convention.

The Company is incorporated and domiciled in the United Kingdom. The Group consolidated financial statements are presented in sterling and all values are rounded to the nearest £million except where otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertaking. 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 when such control ceases. A dormant set of financial statements for Post Office Management Services Limited was prepared to 30 November 2014, the subsidiary began trading in January 2015 and the first set of financial statements will be prepared to 27 March 2016 which will be in line with the parent Company. They use consistent accounting policies and a proportion of their results have been consolidated into the group financial statements. All intra-Group balances, transactions, unrealised gains and losses resulting from intra-Group transactions are eliminated in full.

New standards, amendments and interpretations issued not yet effective for the current year

The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, subject to EU ratification, become effective after the current year-end and have not been early adopted by the Group:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was first issued in November 2009 and had since been amended several times. A complete version of the standard was issued in July 2014 and is a replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment. The new standard becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption. It is anticipated that the application of this amendment will have no significant impact on the Group's income statement or balance sheet.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from contracts with customers in May 2014. The new standard provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when control of goods or services is transferred to the customer. It replaces all existing revenue recognition guidance under current IFRS and becomes effective for annual periods beginning on or after 1 January 2017, subject to EU adoption. The Group is currently considering the impact of IFRS 15 on its consolidated results and financial position.

Amendment to IAS 19 Defined Benefit Plans: Employee Contributions

The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment is effective for annual periods beginning on or after 1 July 2014 and has been endorsed by the EU. It is anticipated that the application of this amendment will have no significant impact on the Group's income statement or balance sheet.

There are no other standards and interpretations in issue but not yet adopted that the Directors anticipate will have a material effect on the reported income or net assets of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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Notes to the financial statements

Fundamental accounting concept – going concern

After careful consideration of the plans for the coming years, the Directors continue to believe that Post Office Limited will be able to meet its liabilities as they fall due for the next 12 months. Accordingly, on that basis, the Directors consider that it is appropriate that these financial statements have been prepared on a going concern basis.

The Group has net assets at 29 March 2015 and has operated at a profit before exceptional items during 2014-15 for the seventh year running. A funding agreement with the Government was announced on 27 October 2010 which provided for:

- Funding of £410 million for 2012/13 (received on 2 April 2012)
- Funding of £415 million for 2013/14 (received on 2 April 2013)
- Funding of £330 million for 2014/15 (received on 1 April 2014)
- Extension of the existing working capital facility with the Department for Business, Innovation & Skills (BIS) of £1.15 billion up to 31 March 2016

State Aid approval for the funding for 2012/13 to 2014/15 was received on 28 March 2012 and it was also recognised that the working capital facility was no longer deemed State Aid.

An additional funding agreement with the Government was announced on 27 November 2013 which provided for:

- Funding of £280 million for 2015/16
- Funding of £220 million for 2016/17
- Funding of £140 million for 2017/18
- Extension of the existing working capital facility with the Department for Business, Innovation & Skills (BIS) amended with a limit of £950 million from 30 March 2015 up to 31 March 2018

State Aid approval for the funding for 2015/16 to 2017/18 was received on 19 March 2015.

This investment takes the form of a Government Grant and enables the Group to modernise the branch network, and the continuation of the Network Subsidy Payment recognises the major social value that Post Office branches provide to communities. New main and local branches are currently being rolled out across the United Kingdom. Customers are beginning to benefit from a much better retail experience including extended opening hours. This programme is designed to make the Post Office network more self-sustaining and, over time, less dependent on direct subsidy. This is a modernisation programme and not a branch closure programme.

The Directors are satisfied with the continued progress made towards modernisation during 2014/15 and that the plans in place and the substantial investment secured will enable the Group to continue to modernise and to secure its future. However, they note that the scale of change required remains significant and is not without risk.

Prior year restatements

In preparing the financial statements for the current year, the comparative figures for the year ended 30 March 2014 have been restated for cash and cash equivalents and trade and other receivables. Credit and debit card receivables were previously included in cash and cash equivalents and have been reclassified to trade and other receivables. These receivables relate to payments made in branch by Post Office Limited customers using debit or credit cards. These payments are reimbursed to Post Office Limited by the card companies within 2 or 3 days post year end, as the cash had not been received as at year end, and the amount has been reclassified to debtors.

The impact on the 30 March 2014 financial statement is an increase to trade and other receivables of £51m and a decrease to cash and cash equivalents of £51m. This restatement had no impact on the profit, equity or net assets for the period ended 30 March 2014.

The earliest period presented is 31 March 2013, the impact on this period is an increase in trade and other receivables by £64m and decrease in cash and cash equivalents £64m which has also been restated. Again, there is no impact on profit, equity or net assets.

	As previously reported	Restatement	30 March 2014 Restated
Total Trade and other receivables	317	51	368
Total cash and cash equivalents	738	(51)	687

	As previously reported	Restatement	31 March 2013 Restated
Total Trade and other receivables	362	64	426
Total cash and cash equivalents	971	(64)	907

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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 accounts. The most significant areas where judgements and estimates are made are discussed below:

Pension assumptions

The costs, assets and liabilities of the pensions operated by the Group are determined using methods relying on actuarial estimates and assumptions. These 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. Details of the key assumptions are set out in note 18.

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.

Provisions

The Group has recognised provisions where a present legal or constructive obligation exists as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Severance provisions are recognised for business reorganisation where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been undertaken at the balance sheet date. Postmasters' compensation provisions are recognised when either Postmasters agree to terminate their existing contracts or sign the new format contracts under Network Transformation. Provisions are detailed in note 16. Due to the nature of provisions the future amount settled may be different from the amount that has been provided.

Impairment of non-current assets

The Group assesses whether there are any indicators of impairment for all non-current assets at each reporting date. Due to ongoing operational losses (excluding the Network Subsidy Payment) the carrying value of intangible assets and all property plant and equipment other than freehold and long leasehold property has been impaired to zero.

Revenue

Turnover from Government Services, Financial Services, Mails and Retail and Telecoms comprises the value of services provided from the Groups principle activities in providing a wide range of services through its network of Post Office branches across the UK and other channels. Turnover from Financial Services and some retail services comprises the commission received. Turnover relating to line rental for Telecoms services is recognised evenly over the period to which the charges relate and revenue from calls is recognised at the time the call is made. Turnover from all other transactions is recognised when the transaction is completed. All turnover is derived wholly from within the United Kingdom.

The Network Subsidy Payment is Government grant revenue recognised to match the related costs of making available the network of public Post Offices that the Secretary of State for Business, Innovation and Skills considers appropriate.

Net revenue

Net revenue is calculated using revenue less the directly attributable costs of delivering the service or product.

Operating exceptional items

Operating exceptional items (disclosed in note 5) are items of income and expenditure arising from the operations of the business which, due to the nature of the events giving rise to them, require separate presentation on the face of the income statement to allow a better understanding of financial performance in the year, in comparison to prior years.

Intangible assets

Intangible assets acquired separately or generated internally are initially recognised at cost and are reviewed for impairment. An impairment loss is recognised in the income statement for the amount by which the carrying value of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and its value in use.

Amortisation of intangible assets with finite lives is charged annually to the income statement on a straight-line basis as follows.

Software	1 to 6 years

Where intangible assets are impaired to their recoverable amount on acquisition the above range of asset lives is not applied.

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Notes to the financial statements

Property, plant and equipment

Property, plant and equipment is recognised at cost, including attributable costs in bringing the asset into working condition for its intended use.

Depreciation of property, plant and equipment is provided on a straight-line basis by reference to cost and to the remaining useful economic lives of assets and their estimated residual values. The lives assigned to major categories of property, plant and equipment are:

	Range of asset lives
Land and buildings:	
Freehold land	Not depreciated
Freehold buildings	Up to 50 years
Leasehold buildings	The shorter of the period of the lease, 50 years or the estimated remaining useful life
Plant and Machinery	3-15 years
Motor vehicles and trailers	2-12 years
Fixtures and equipment	2-15 years

Where property, plant and equipment is impaired to its recoverable amount on acquisition the above ranges of asset lives are not applied. This is currently the case for plant and machinery, motor vehicles and trailers and fixtures and equipment.

The remaining useful lives of freehold buildings are reviewed periodically and adjusted where applicable on a prospective basis.

Impairment reviews

Unless otherwise disclosed in these accounting policies, assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The Group assesses at each reporting date whether such indications exist. 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) exceeds its recoverable amount, which is the higher of an asset's net realisable value and its value in use.

Leases

Finance leases, where substantially all the risks and rewards incidental to ownership of the leased item have passed to the Group are capitalised at the inception of the lease with a corresponding liability recognised for the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where substantially all the risks and rewards of ownership of the asset are retained by the lessor, are classified as operating leases and rentals are charged to the income statement over the lease term. The aggregate benefit of incentives are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

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 financial statements of the joint venture are prepared for the same reporting period as the Group.

Inventories

Inventories include printing and stationery, retail and lottery products, are carried at the lower of cost and net realisable value after adjusting for obsolete or slow-moving stock.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or are disallowed. It is calculated using tax rates in legislation that has 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:

- initial recognition of goodwill
- 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
- 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, and
- 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.

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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. Further details on deferred tax can be found in note 8 to the financial statements.

Pensions and other post-retirement benefits

Membership of occupational pension schemes is open to most permanent UK employees of the Company. All members of defined benefit schemes are contracted out of the earnings-related part of the State pension scheme.

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. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet. Full actuarial funding valuations are carried out at intervals not normally exceeding three years as determined by the Trustees and, actuarial valuations are carried out at each balance sheet date and form the basis of the surplus or deficit disclosed. When the calculation at the balance sheet date results in net assets to the Group, the recognised asset is limited to the present value of any future refunds of the plan or reductions in future contributions to the plan (the asset ceiling).

For defined benefit schemes, the amounts charged to operating profit, as part of staff costs, are the current service costs and any gains and losses arising from settlements, curtailments and past service costs. The net difference between the interest costs and the expected return on plan assets is recognised as net pensions interest in the income statement. 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.

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

Foreign currencies

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

Transactions in foreign currencies are recorded at the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional rate of exchange ruling at the balance sheet date. Currently hedge accounting is not applied to any monetary assets and liabilities. Therefore all differences are taken to the income statement.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any non-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Borrowing costs

Borrowing costs in relation to the working capital loan facility are recognised as an expense when incurred unless they are directly attributable to the construction or development of a qualifying asset, in which case they are capitalised using the weighted average cost of borrowing for the period of construction/development.

Government grants

Government grants are shown separately in the income statement to match the expenditure to which they relate.

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. 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.

Financial instruments

The classification of financial instruments included on the balance sheet is set out below:

Financial assets

Financial assets are classified into the following categories: at fair value through the income statement, loans and receivables, and available for sale as appropriate based on the purpose for which they were required. Financial liabilities are classified as either fair value through the income statement or as financial liabilities measured at amortised cost.

Financial liabilities – interest-bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Financial liabilities – obligations under finance leases

All obligations under finance lease and hire purchase contracts are classified as financial liabilities measured at amortised cost.

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Such derivative financial instruments are stated at fair value. Hedge accounting has not been adopted for foreign exchange derivative instruments.

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Notes to the financial statements

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models. Specifically, in the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying currency and discounted using quoted interest rates. Hence derivative assets and liabilities are within Level 2 of the fair value hierarchy as defined within IFRS 7.

For the purposes of disclosing the fair value of investments held at amortised cost in the balance sheet, in the absence of quoted market prices, fair values are calculated by discounting the future cash flows of the financial instrument using quoted equivalent interest rates as at close of business on the balance sheet date.

Derecognition of financial instruments

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits (cash equivalents) with an original maturity date of three months or less. In addition, the Group uses Money Market funds as a readily available source of cash, and these funds are also categorised as cash equivalents.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Cash equivalents are classified as loans, and receivable financial instruments.

2. Segmental reporting

In accordance with IFRS 8 'Operating segments,' an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker (CODM) and for which discreet information is available. The Group's CODM is the Group Executive as defined in the Corporate Governance section on page 43.

The CODM has determined the operating segments based in the information reviewed by them for the purposes of allocating resources and assessing performance. Operating segments have not been aggregated in order to present reportable segments. All segmental activities are located wholly within the United Kingdom.

The CODM assesses the performance of the operating segments based on net revenue. This is calculated using segmental revenue less the directly attributable costs of delivering the service or product. The net revenue measure excludes the effect of indirect costs and the effects of non-recurring expenditure such as redundancy costs and asset impairment. Interest income and expenditure is not allocated to segments as this type of activity is driven by the central treasury function.

Assets and liabilities as recognised on the Group balance sheet are not considered to be segmental assets or liabilities but rather are managed by the Group's central functions. The information reviewed by the CODM does not include assets or liabilities split by segment. A description of the activities of the business segments is included from page 12 of the Business and Strategy review.

Revenue from a major customer represents approximately 30% of the Group's total revenue in 2015. This revenue was reported within the Mails and Retail segment.

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	2015		
	Revenue £m	Directly Attributable Costs £m	Net Revenue £m
Mails and Retail	**388**	**(4)**	**384**
Financial Services	**290**	**(1)**	**289**
Government Services	**141**	**(28)**	**113**
Telecoms	**120**	**(73)**	**47**
Other	**37**	**-**	**37**
Subtotal	**976**	**(106)**	**870**
Network Subsidy Payment	**160**	**-**	**160**
Total	**1,136**	**(106)**	**1,030**

	2014		
	Revenue £m	Directly Attributable Costs £m	Net Revenue £m
Mails and Retail	390	(4)	386
Financial Services	279	(1)	278
Government Services	146	(30)	116
Telecoms	124	(78)	46
Other	40	-	40
Subtotal	979	(113)	866
Network Subsidy Payment	200	-	200
Total	1,179	(113)	1,066

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Notes to the financial statements

A reconciliation between underlying segment net revenue and (loss)/profit before taxation is provided below:

	2015 £m	2014 £m
Underlying segment net revenue	**1,030**	1,066
Indirect costs	**(966)**	(992)
Share of post tax profit from joint ventures	**36**	33
Operating profit before exceptional items	**100**	107
Operating exceptional items	**(185)**	45
Operating profit	**(85)**	152
Profit on disposal of property, plant and equipment	**-**	3
Profit before financing and taxation	**(85)**	155
Finance costs	**(3)**	(3)
Finance income	**1**	1
Net pensions interest	**7**	5
(Loss)/profit before taxation	**(80)**	158

3. Staff costs and numbers

Employment and related costs were as follows

People costs excluding restructuring costs:	2015 £m	2014 £m
Wages and salaries	**191**	208
Social security costs	**19**	20
Pension costs (note 18)	**28**	27
Total	**238**	255

	Period end employees		Average employees	
	2015	2014	2015	2014
Total employees	**6,876**	7,787	**7,281**	7,950

Total employee numbers can be categorised as follows:

	2015	2014
Administration	**1,324**	1,691
Crown Offices	**3,406**	3,946
Supply Chain	**1,524**	1,553
Network and Crown transformation programmes	**622**	597
Total	**6,876**	7,787

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4. Operating profit from continuing operations before exceptional items

Operating profit from continuing operations before exceptional items, is stated after charging:

	2015 £m	2014 £m
Postmasters' fees	**435**	448
Bureau de Change foreign currency exchange losses/(gains)	**1**	2
Depreciation	**-**	-
Cost of inventories recognised as an expense	**4**	4
Operating lease charges – Land and buildings	**20**	19
– Equipment	**-**	42
Fees payable to the Group's auditors for audit and other services:	**£000**	£000
– parent Company and Group audit	**391**	314
– audit related assurance services	**40**	40
– other non-audit services	**173**	103

5. Operating exceptional items

	2015 £m	2014 £m
Government Grant	**170**	317
Total Government Grant	**170**	317
Royal Mail Pension Plan amendment	**-**	102
Total Royal Mail Pension Plan amendment	**-**	102
Restructuring:		
Business transformation programme	**(12)**	-
Business transformation payments	**(1)**	(5)
Network transformation including postmasters' compensation	**(140)**	(191)
Crown transformation	**(10)**	(9)
Restructuring – severance	**(25)**	(23)
– other	**(26)**	(31)
Total restructuring	**(214)**	(259)
Other:		
Impairment of intangible assets (note 9)	**(57)**	(42)
Impairment of property, plant and equipment (note 10)	**(84)**	(73)
Total other	**(141)**	(115)
Total operating exceptional items	**(185)**	45

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Notes to the financial statements

For further information in relation to the Royal Mail Pension Plan amendment in prior year refer to note 18. Restructuring costs are those incurred in order to implement the major transformation programmes primarily the Crown and Network programmes which are discussed further in the Business and Strategy Review on page 14. Due to ongoing operational losses (excluding Network Subsidy Payment) the carrying value of intangible assets and all property plant and equipment other than freehold and long leasehold property has been impaired to zero.

6. Directors' emoluments

The Directors received the following emoluments:

	2015 £000	2014 £000
Emoluments, excluding pension contributions and LTIP*	1,234	1,000
Contributions to pension schemes	-	-
Amounts receivable under Long-Term Incentive Plans	157	187

*Figures include any cash supplements received in lieu of pension, also included is payment in lieu of notice, please refer to the Directors Remuneration Report on page 55 for further details.

Directors accruing pension entitlements during the period under:	2015 Number	2014 Number
Defined benefit schemes	-	-
Defined contribution schemes	-	-

The highest paid Director received the following emoluments:

	2015 £000	2014 £000
Emoluments and LTIP, excluding pension contributions but including cash supplements received in lieu of pensions	522	544
Company contributions to pension schemes	-	-

7. Net finance costs

	2015 £m	2014 £m
Interest receivable	1	1
Interest charge, unwinding discount on provisions	-	(1)
Interest payable on loans	(3)	(2)
Total	(2)	(2)

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8. Taxation

(a) Taxation gains recognised in the year

	2015 £m	2014 £m
Corporation tax credit for year	(10)	(9)
Tax under-provided in previous years	(7)	(1)
Current tax	(17)	(10)
Deferred tax credit relating to the origin and reversal of temporary differences	(9)	(5)
Effect of change in tax rate	-	3
Income tax credit reported in the consolidated income statement	(26)	(12)

Deferred income tax of £9 million (2014: £2 million) has been charged to equity relating to actuarial movements in the retirement benefit surplus. This offsets the deferred tax credit of £9 million (2014: £2 million) that has been reported in the consolidated income statement.

(b) Factors affecting current tax credit on profit on ordinary activities

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	2015 £m	2014 £m
(Loss)/profit on ordinary activities before tax	(80)	158
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	(17)	36
Net decrease in tax charge resulting from recognition of deferred tax assets	(16)	(41)
Expenditure disallowable for tax	2	1
Adjustment in respect of prior period	(7)	(1)
Losses from disposals ineligible for relief	-	-
Effect of group relief surrenders to other companies	18	1
Joint venture profit after tax included in Group pre-tax profit	(6)	(8)
Total current tax (see above)	(26)	(12)

(c) Deferred tax

Deferred tax assets relate to the following:

	Balance sheet		Income statement	
	2015 £m	2014 £m	2015 £m	2014 £m
Pensions temporary differences	(30)	(21)	9	-
Losses available for offset against future taxable income	30	21	-	2
Total deferred tax asset	-	-	9	2
Income statement			9	2

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Notes to the financial statements

(d) Factors that may affect future tax charges

The Group has unrecognised deferred tax assets of £127 million (2014: £144 million), comprising £74 million (2014: £94 million) relating mainly to fixed asset timing differences, £1 million (2014: £5 million) relating to timing differences on provisions and £52 million (2014: £45 million) relating to tax losses that are available to offset against future taxable profits. The Group has rolled over capital gains of £3 million (2014: £3 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.

Finance Act 2013 reduced the main rate of corporation tax to 20% with effect from 1 April 2015. Following these changes, deferred tax balances were reduced from 21% to 20%. The impact of this change on deferred tax balances is included in these financial statements.

9. Intangible assets

Cost	2015 £m	2014 £m
At 31 March 2014, 1 April 2013	**243**	208
Reclassifications	**(3)**	-
Additions	**57**	42
Disposals	**-**	(7)
At 29 March 2015, 30 March 2014	**297**	243
Amortisation and impairment		
At 31 March 2014, 1 April 2013	**243**	208
Reclassifications	**(3)**	-
Impairment (see note 5)	**57**	42
Disposals	**-**	(7)
At 29 March 2015, 30 March 2014	**297**	243
Net book value		
At 29 March 2015, 30 March 2014	**-**	-

The above intangible assets relate to software.

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10. Property, plant and equipment

	Land and Buildings						
	Freehold	Long leasehold	Short leasehold	Motor Vehicles	Plant and machinery	Fixtures and equipment	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 31 March 2014	100	17	113	44	1	739	1,014
Reclassification*	(31)	26	6	-	-	2	3
Additions	16	12	-	1	-	55	84
Disposals	(2)	-	(4)	(5)	-	(13)	(24)
At 29 March 2015	**83**	**55**	**115**	**40**	**1**	**783**	**1,077**
Depreciation							
At 31 March 2014	91	16	113	44	1	739	1,004
Reclassification	(31)	26	6	-	-	2	3
Impairment (see note 5)	16	12	-	1	-	55	84
Disposals	(2)	-	(4)	(5)	-	(13)	(24)
At 29 March 2015	**74**	**54**	**115**	**40**	**1**	**783**	**1,067**
Net book value							
At 29 March 2015	**9**	**1**	**-**	**-**	**-**	**-**	**10**
At 30 March 2014	9	1	-	-	-	-	10

Depreciation rates are disclosed within accounting policies (note 1). No depreciation is provided on freehold land, which represents £3 million (2014: £3 million) of the total cost of properties.

* Reclassification between freehold, long leasehold and short leasehold asset categories is due to the fact that all land and building assets are classified as freehold whilst they are an asset under construction, then once works are complete and lease contracts are confirmed, the asset is moved into the correct respective category.

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Notes to the financial statements

11. Investments in joint ventures

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

Joint ventures

During 2014/15 and 2013/14, 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 Bureau de Change. 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.

	Joint venture £m
Share of net assets	
Total net investment at 31 March 2014	61
Share of post tax pre-dividend profit	36
Dividend	(30)
Total net investment at 29 March 2015	**67**

	Joint venture £m
Share of net assets	
Total net investment at 1 April 2013	60
Share of post tax pre-dividend profit	33
Dividend	(32)
Total net investment at 30 March 2014	61

Share of assets and liabilities:	**2015 Joint venture £m**	2014 Joint venture £m
Current assets	**191**	175
Non-current assets	**6**	5
Share of gross assets	**197**	180
Current liabilities	**(130)**	(119)
Share of net assets	**67**	61
Share of revenue and profit:		
Revenue	**82**	77
Profit after tax	**36**	33

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12. Trade and other receivables

	2015 £m	2014 (Restated) £m
Current:		
Trade receivables	**101**	105
Prepayments and accrued income	**106**	82
Client receivables	**162**	158
Other receivables	**28**	8
Total	**397**	353
Non-current:		
Prepayments	**10**	15

The Group receives and disburses cash on behalf of Government agencies and other clients to customers through its branch network. Amounts owed from/to Government agencies and other clients are disclosed separately as client receivables (as above) and client payables (see note 14).

As at 29 March 2015 trade receivables of £14 million (2014: £17 million) were impaired and fully provided for. During the year £6 million (2014: £2 million) of the provision has been utilised and an additional £3 million (2014: £3 million) has been provided for. Trade receivables of £21 million (2014: £18 million) were past due but not impaired. The aging analysis of the trade receivables are as follows:

	2015 £m	2014 (Restated) £m
Not yet overdue	**80**	87
Past due not more than one month	**8**	10
Past due more than one month and not more than two months	**3**	2
Past due more than two months	**10**	6
Total	**101**	105

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

13. Cash and cash equivalents

	2015 £m	2014 (Restated) £m
Cash in the Post Office Limited network	**708**	657
Short-term bank deposits	**93**	30
Money market fund investments	**20**	-
Total cash and cash equivalents	**821**	687

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Notes to the financial statements

Cash and cash equivalents comprise amounts held physically in cash, cash deposits available on demand or for three months or less. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of £821 million defined on the previous page (2014 (Restated): £687 million), net of a bank overdraft of £nil (2014: £50 million) which is disclosed in note 14.

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.

14. Trade and other payables

	2015 £m	2014 £m
Current:		
Bank overdraft	-	50
Trade payables	30	55
Accruals	160	133
Deferred income	29	37
Social security	9	14
Client payables	454	437
Capital payables	25	31
Business transformation payments	-	10
Other payables	11	-
Total	718	767
Non-current:		
Other payables	30	28

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

15. Financial liabilities – interest bearing loan and borrowings

	2015 £m	2014 £m
Department of Business, Innovation & Skills loan drawn down	310	-

The loan under the facility is short dated on a programme of liquidity management and matures on average 1 day after the year end (2014: 1 day). The fair value of borrowings approximate 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, which expires in 2018. The undrawn committed facility, in respect of which all conditions precedent had been met at the balance sheet date, is £840 million (2014: £1,150 million). From the 30 March 2015 the total facility reduces from £1,150m to £950m.

The average interest rate on the drawn down loans is 1.0% (2014: 1.0%).

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

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16. Provisions

	Crown Conversions Project £m	Network Transformation £m	Other £m	Total £m
At 31 March 2014	2	51	25	78
Charged in operating exceptional items	-	67	29	96
Charged in operating costs	-	-	16	16
Utilisation	(1)	(78)	(43)	(122)
Unused amounts in the year – operating exceptionals	(1)	-	(1)	(2)
Unused amounts in the year – operating costs	-	-	(3)	(3)
At 29 March 2015	-	**40**	**23**	**63**
Disclosed as:				
Current	-	39	18	57
Non-current	-	1	5	6
	-	40	23	63

The Crown Conversions project related to past franchising of Crown offices and onerous property lease provisions.

The Network Transformation provision relates to the major transformation programme which is discussed further in the Business and Strategy Review on page 14.

Other provisions of £23 million (2014: £25 million) include onerous lease obligations, severance and personal injury claims.

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Notes to the financial statements

17. Financial assets and liabilities

a. Financial assets and liabilities by category

The breakdown of the Group's financial instruments at 29 March 2015 and 30 March 2014 is shown below:

	2015			2014		
	Current £m	**Non current £m**	**Total £m**	Current £m	Non Current £m	Total £m
Financial assets						
Trade and other receivables	**378**	**-**	**378**	337	-	337
Cash and cash equivalents	**821**	**-**	**821**	687	-	687
Financial liabilities						
Trade and other payables	**(689)**	**(2)**	**(691)**	(730)	-	(730)
Bank overdraft	**-**	**-**	**-**	(50)	-	(50)
BIS loan	**(310)**	**-**	**(310)**	-	-	-
Finance leases obligations	**-**	**-**	**-**	(3)	-	(3)
Total financial assets/ (liabilities)	**200**	**(2)**	**198**	241	-	241

Except prepayments and deferred income, which have been excluded from the table above all of the Group's financial assets and liabilities by nature and classification for measurement purposes are considered loans and receivables.

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 at 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.

The nature of the inputs used in determining the values of the financial assets and liabilities is quoted prices (unadjusted) in active markets for identical assets and liabilities. All of the Group's financial assets and liabilities are therefore considered as Level 1 in the fair value hierarchy.

The Group has no Level 2 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, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and aims to minimise potential adverse effects on the Group's financial performance.

Interest rate risk

The Group is exposed to changes in interest rate on floating rate debt, cash deposits and money market fund investments. Interest rate risk on borrowings is managed through determining the right balance of fixed and floating debt within the financing structure. Market conditions are considered when determining the desired balance of fixed and floating rate debt. Had there been a 50 basis point increase in interest rates, there would have been a £5m favourable impact on the Group's equity and income statement. A 50 basis point decrease would have resulted in a £5m adverse impact on the Group's equity and income statement.

Foreign currency risk

The Group is exposed to foreign currency risk resulting from balances held to operate Bureau de Change services.

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

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The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar and euro exchange rates, with all other variables held constant, on profit/(loss) before tax and equity.

	Strengthening/ (weakening) in US dollar rate per cent Increase/ (decrease)	Effect on profit before tax £m Increase/ (decrease)	Effect on equity £m Increase/ (decrease)	Strengthening/ (weakening) in euro rate per cent Increase/ (decrease)	Effect on profit before tax £m Increase/ (decrease)	Effect on equity £m Increase/ (decrease)
2015	**10**	**1**	**1**	**10**	**3**	**3**
	(10)	**(1)**	**(1)**	**(10)**	**(3)**	**(3)**
2014	10	1	1	10	3	3
	(10)	(1)	(1)	(10)	(3)	(3)

Credit risk

Credit risk refers to the risk that a counter party 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 their behalf.

The Group aims to minimise its financial credit risk through the application of risk management policies approved by the Board. Counter parties are limited to major banks and financial institutions. The policy restricts the exposure to any one counter party 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 individual relationships and the contracts attached to them are managed by dedicated teams and procedures are in place to monitor any concentrations of credit risk. The level of bad debt provision is less than 2% (2014: less than 2%) of turnover.

Capital management

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

Liquidity risk

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

The Group has adequate cash reserve to meet operating requirements in the next 12 months.

At 29 March 2015 the Group has unused facility of £840 million (2014: £1,150 million). From the 30th March 2015 the total facility reduces from £1,150 million to £950 million. The facility expires in 2018.

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Notes to the financial statements

The tables below analyse 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.

At 29 March 2015	12 Months	1-2 Years	2-5 Years	> 5 Years	Total £m
Financial assets					
Trade and other receivables	**378**	**-**	**-**	**-**	**378**
Cash and cash equivalents	**821**	**-**	**-**	**-**	**821**
Financial liabilities					
Trade and other payables	**(689)**	**(2)**	**-**	**-**	**(691)**
Bank overdraft	**-**	**-**	**-**	**-**	**-**
Interest bearing loan	**(310)**	**-**	**-**	**-**	**(310)**
Finance leases obligations	**-**	**-**	**-**	**-**	**-**
Total financial assets/(liabilities)	**200**	**(2)**	**-**	**-**	**198**

At 30 March 2014	12 Months	1-2 Years	2-5 Years	> 5 Years	Total £m
Financial assets					
Trade and other receivables	337	-	-	-	337
Cash and cash equivalents	687	-	-	-	687
Financial liabilities					
Trade and other payables	(730)	-	-	-	(730)
Bank overdraft	(50)	-	-	-	(50)
Interest bearing loan	-	-	-	-	-
Finance leases obligations	(3)	-	-	-	(3)
Total financial assets/(liabilities)	241	-	-	-	241

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18. Pensions

The disclosures in this note relating to the year ended 29 March 2015 and the comparatives for the year ended 30 March 2014 reflect the Post Office Limited sectionalised RMPP scheme which is independently operated by the Group and the 7% share of the RMSEPP scheme. Royal Mail Group Limited is the principal employer in Royal Mail Senior Executive Pension Plan (RMSEPP) and Post Office Limited became a participating employer with effect from 1 April 2012.

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

The Group participates in pension schemes as detailed below.

Name	Eligibility	Type
Royal Mail Pension Plan (RMPP)	UK employees	Defined benefit
Royal Mail Senior Executive Pension Plan (RMSEPP)	UK senior executives	Defined benefit
Royal Mail Defined Contribution Plan (RMDCP)	UK employees	Defined contribution

Defined Contribution

The charge in the income statement for the defined contribution schemes and the Group contributions to these schemes was £3 million (2014: £2 million) during the year. A new defined contribution plan (RMDCP) was launched in April 2009. With effect from 1 April 2015 RMDCP will be replaced by Post Office Pension Plan. New recruits joining from 31 March 2008 are able to begin paying contributions to the new plan after they have worked for the Group for a year.

Defined Benefit

Both RMPP and RMSEPP are funded by the payment of contributions to separate trustee administered funds. The latest full actuarial funding valuation of RMPP was carried out as at 1 April 2012 using the projected unit method. For RMPP, this valuation was concluded at £135 million surplus. The latest full actuarial funding valuation of RMSEPP was carried out as at 31 March 2012 using the projected unit method. For 100% of the RMSEPP plan, the valuation was concluded at £83 million deficit. Valuations are carried out triennially and the next one will be performed as at 1 April 2015. 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 members of Section A 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.

A series of changes to RMPP and RMSEPP began to take effect on 1 April 2008.

The changes encompassed:

- The Plans closed to new members from 31 March 2008;
- All pensions and benefits earned before 1 April 2008 are linked to final pensionable salary, but defined benefits built up from 1 April 2008 are earned on a "career average pensionable salary" basis;
- From 1 April 2014, pensionable salary was amended to the amount in force at that date, increasing each 1 April thereafter in line with RPI (up to 5% each year), with allowance for certain promotional increases. This change resulted in a one-off exceptional gain of £102 million for the 2013/14 financial year;
- Employees can continue to take their pension on reaching 60 but the normal retirement age increased to 65 for benefits earned from 1 April 2010;
- From 1 April 2010 it is possible to draw pension earned before the change to normal retirement age at 55, and continue working while still contributing to the Pension Plan until the maximum level of benefits has been reached; and
- RMSEPP was closed to future accruals on 31 December 2012.

Payment of £19 million (2014: £21 million) was made by the Group during the year in respect of regular future service contributions, nearly all relating to RMPP. The regular future service contributions for RMPP, expressed as a percentage of pensionable pay, has remained at 17.1% (2014: 17.1%), effective from April 2010. This rate is not expected to change materially during 2015/16.

The Group pays 7% of the total deficit payment required to fund the deficit in RMSEPP and a payment of £1 million (2014: £1 million) was made by the Group during the year. No RMPP deficit payments were made during 2013/14 or 2014/15. For RMSEPP, deficit recovery payments will be £1 million per annum, from 1 April 2010 to 31 January 2024.

A current liability of £1 million (2014: £nil) has been recognised for payments to the pension schemes relating to redundancy. During the year, payments of £2 million (2014: £1 million) relating to redundancy were made.

The weighted average duration of the RMPP fund is 28 years, and for the RMSEPP fund is 21 years. Over the next financial reporting period to 27 March 2016 it is expected that employer contributions to the plans will be £19 million and £1 million for RMPP and RMSEPP respectively.

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Notes to the financial statements

The following disclosures relate to the gains/losses and surplus/deficit in the scheme recognised for RMPP and RMSEPP defined benefit plans in the financial statements of the Group:

a) Major long-term assumptions

The size of the RMPP pension surplus, which is large in the context of the Group and its finances, is materially sensitive to the assumptions adopted. Small changes in these assumptions could have a significant impact on the surplus and overall income statement charge. The major long-term assumptions in relation to both RMPP and RMSEPP were:

	At 29 March 2015 % pa	At 30 March 2014 % pa
Rate of increase in salaries	**2.8**	3.2
Rate of pension increases – RMPP sections A/B	**1.9**	2.3
Rate of pension increases – RMPP section C	**2.8**	3.2
Rate of pension increases – RMSEPP members transferred from Section A or B of RMPP	**1.9**	2.4
Rate of pension increases – RMSEPP all other members	**2.8**	3.3
Rate of increase for deferred pensions – RMSEPP members transferred from Section A or B of RMPP	**1.9**	2.4
Rate of increase for deferred pensions	**1.9**	2.3
Discount rate	**3.5**	4.5
Inflation assumption (RPI) – RMPP	**3.0**	3.3
Inflation assumption (CPI) – RMPP	**1.9**	2.3
Inflation assumption (RPI) – RMSEPP	**3.0**	3.4
Inflation assumption (CPI) – RMSEPP	**1.9**	2.4

The ultimate cost of the RMPP plan to the Group will depend upon future events rather than the assumptions made. The assumptions made may not be borne out in practice and as such the cost of the plan may be higher (or lower) than disclosed.

In common with other defined benefit schemes, the main risk in relation to the arrangements is the value of the assets does not keep pace with the increase in the value of the liabilities. This can arise for many reasons, but the most significant risks are as follows:

Investment risk: If the assets of the arrangements fall short of expectations, this will lead to a decrease in the funded status.

Asset volatility: The arrangements hold return seeking assets (including equities and property) which are expected to outperform corporate bonds in the long-term but give exposure to volatility and risk in the short term. RMPP does, however, invest in liability driven investment (LDI) assets, for example corporate bonds, which mitigates the impact of interest rate and inflation volatility on the funded status.

Inflation risk: Higher inflation rates than expected will act to increase the plan liabilities as benefits will increase to a higher level than assumed. The arrangements have a maximum pension increase (generally 5% per annum) written into the rules which limits the increase for many benefits, so limiting the impact of high inflation.

This includes pensionable pay in RMPP, which was amended with effect from 1 April 2014. In addition, the arrangement holds assets that increase in value as price inflation expectations rise, so mitigating the impact of rising inflation expectations. These assets include LDI assets in respect of RMPP.

Changes in bond yields: A decrease in corporate bond yields will increase the plan liabilities, although this will be partially offset by an increase in the value of the bond holdings and, to some extent, the LDI assets.

Pensioner longevity: If members live longer than expected, the liabilities would increase because pensions would be paid for a longer time.

Liabilities accrued in the Royal Mail Pension Plan to 31 March 2012 were transferred to the Royal Mail Statutory Pension Scheme. These liabilities are no longer an obligation of the Group and consequently the transfer resulted in a significant removal of pension risk from the Group.

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The following table shows the potential impact on the RMPP assets and pension surplus of changes in key assumptions:

	2015 £m	2014 £m
Changes in RPI and CPI inflation of +0.1% pa	**(4)**	(3)
Changes in discount rate of +0.1%pa	**4**	3
Changes in real salary growth of +0.1% pa	**(1)**	(1)
Changes in CPI assumptions of +0.1% pa	**(1)**	(1)
An additional 1 year life expectancy	**(5)**	(3)

The sensitivity analysis has been prepared using projected benefit cash flows as at the latest full actuarial valuation of the plan. The same method was applied as at the previous reporting date. The accuracy of this method is limited by the extent to which the profiles of the plan cash flows have changed since those valuations although any change is not expected to be material in the context of the above sensitivity analysis.

Mortality: The mortality assumptions for the RMPP sectionalised scheme are based on the latest self-administered pension scheme (SAPS) mortality tables with appropriate scaling factors (106% for male pensioners and 101% for female pensioners). For future improvements the assumptions allow for 'medium cohort' projections with a 1.25% floor. These are detailed below:

Average expected life expectancy from age 60:	**2015**	2014
For a current 60 year old male RMPP member	**27 years**	26 years
For a current 60 year old female RMPP member	**30 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	**32 years**	32 years

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Notes to the financial statements

b) Plans' assets

The assets in the plans for the Group were:

Sectionalised RMPP	Market value 2015 £m	Market value 2014 £m
UK equities	1	1
Overseas equities	10	18
Corporate bonds	217	118
Property	8	5
Private Equity	12	-
Cash and cash equivalents	6	38
Bond/fixed interest funds	50	43
Index-linked funds	10	8
Other loan/debt funds	20	4
Alternative asset funds	11	14
Equity funds	34	11
Fair value of RMPP assets	379	260
Present value of RMPP liabilities	(150)	(90)
Surplus in plan before asset ceiling adjustment	229	170
Less effect of asset ceiling	(27)	(23)
Surplus in plan after asset ceiling adjustment	**202**	**147**

Share of RMSEPP	Market value 2015 £m	Market value 2014 £m
UK equities	1	1
Overseas equities	11	9
Government bonds	16	-
Corporate bonds	-	13
Property	2	2
Other assets	1	1
Fair value of share in plan assets for RMSEPP	31	26
Present value of share in plan liabilities for RMSEPP	(26)	(24)
Surplus in plan for the share of RMSEPP before asset ceiling adjustment	5	2
Less effect of asset ceiling	(2)	(1)
Surplus in plan for share of RMSEPP after asset ceiling adjustment	**3**	1

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A retirement benefit surplus of £205 million is disclosed on the balance sheet, representing the surplus in plans of £229 million and £5 million for RMPP and RMSEPP respectively, and net of tax of £29 million at a rate of 35% on the element of the surplus which is recoverable through a refund from the plans.

There is no element of the above present value of liabilities that arises from plans that are wholly unfunded. The categories of plan assets as a percentage of total plan assets are as follows:

Securities with quoted price in an active market:

Sectionalised RMPP	2015 %	2014 %
UK equities	-	-
Overseas equities	3	7
Corporate bonds	57	45
Property	2	2
Private equity	3	-
Cash and cash equivalents	2	15
Bond/fixed interest funds	13	17
Index-linked funds	3	3
Other loan/debt funds	5	2
Alternative asset funds	3	5
Equity funds	9	4
Total quoted securities	100	100

Sectionalised RMSEPP	2015 %	2014 %
UK equities	3	4
Overseas equities	36	34
Government bonds	52	-
Corporate bonds	-	50
Property	6	8
Other assets	3	4
Total quoted securities	100	100

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Notes to the financial statements

c) Movement in plans' assets and liabilities

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

Assets	Sectionalised RMPP 2015 £m	Sectionalised RMPP 2014 £m
Assets in sectionalised RMPP at beginning of period	260	243
Contributions paid	21	22
Employee contributions paid	7	8
Finance income	12	12
Actuarial gains/(losses)	81	(24)
Benefits paid to members	(2)	(1)
Assets in sectionalised RMPP at end of period	379	260

Assets	Share of RMSEPP 2015 £m	Share of RMSEPP 2014 £m
Share of assets in RMSEPP at beginning of period	26	25
Contributions paid	1	1
Finance income	1	1
Actuarial gains	4	-
Benefits paid to members	(1)	(1)
Share of assets in RMSEPP at end of period	31	26

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

Liabilities	Sectionalised RMPP 2015 £m	Sectionalised RMPP 2014 £m
Liabilities in sectionalised RMPP at beginning of period	(90)	(144)
Royal Mail Pension Plan amendment	-	102
Current service cost	(25)	(25)
Curtailment costs*	(1)	(1)
Finance cost	(5)	(7)
Employee contributions	(7)	(8)
Actuarial loss	(23)	(8)
Experience adjustments on liabilities	(1)	-
Benefits paid	2	1
Liabilities in sectionalised RMPP at end of period	(150)	(90)

Liabilities	Share of RMSEPP 2015 £m	Share of RMSEPP 2014 £m
Share of liabilities in RMSEPP plans at beginning of period	(24)	(24)
Finance cost	(1)	(1)
Actuarial gain/(loss)	(2)	-
Benefits paid	1	1
Share of liabilities in RMSEPP at end of period	(26)	(24)

*The curtailment costs in the income statement are recognised on a consistent basis with the associated compensation costs. Estimates of both are included, for example, in any redundancy provisions raised. The curtailment costs above represent the costs associated with those people paid compensation in respect of redundancy during the accounting period. Such payments may occur in an accounting period subsequent to the recognition of costs in the income statement.

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Notes to the financial statements

d) Recognised charges

An analysis of the separate components of the amounts recognised in the performance statements of the Group is as follows:

	Sectionalised RMPP 2015 £m	Sectionalised RMPP 2014 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged to operating profit before exceptional items:		
Current service cost	**25**	25
Total charge to operating profit before exceptional items	**25**	25
Analysis of amounts charged to operating exceptional items:		
Royal Mail Pension Plan amendment	**-**	(102)
Loss due to curtailments	**1**	1
Total charge/(credit) to operating profit	**26**	(76)
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	**5**	7
Interest income on plan assets	**(12)**	(12)
Net pensions credit to financing	**(7)**	(5)
Net charge/(credit) to the income statement before deduction for tax	**19**	(81)
Analysis of amounts recognised in the statement of comprehensive income:		
Actual return on plan assets	**93**	(12)
Less: expected interest income on plan assets	**(12)**	(12)
Less: taxation on surplus recoverable through plan refunds	**(4)**	(20)
Actuarial gains/(losses) on assets (all experience adjustments)	**77**	(44)
Experience adjustments on liabilities	**(1)**	-
Effects of changes in actuarial assumptions on liabilities	**(23)**	(8)
Actuarial losses on liabilities	**(24)**	(8)
Total actuarial gains/(losses) recognised in the statement of comprehensive income	**53**	(52)

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	Share of RMSEPP 2015 £m	Share of RMSEPP 2014 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	1	1
Interest income on plan assets	(1)	(1)
Net pensions credit to financing	-	-
Net charge/(credit) to the income statement before deduction for tax	-	-
Analysis of amounts recognised in the statement of comprehensive income:		
Actual return on plan assets	5	1
Less: expected interest income on plan assets	(1)	(1)
Less: taxation on surplus recoverable through plan refunds	(1)	-
Actuarial gains on assets (all experience adjustments)	3	-
Experience adjustments on liabilities	-	-
Effects of changes in actuarial assumptions on liabilities	(2)	-
Actuarial losses on liabilities	1	-
Total actuarial gains recognised in the statement of comprehensive income	1	-

19. Called up share capital

	2015 £	2014 £
Authorised		
Ordinary shares of £1 each	51,000	51,000
Total	51,000	51,000
Allotted and issued and fully paid		
Ordinary shares of £1 each	50,003	50,003
Total	50,003	50,003

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Notes to the financial statements

20. Commitments

Capital commitments contracted for but not provided in the financial statements amount to £96 million (2014: £68 million).

The Group is committed to the following minimum lease payments under non-cancellable operating leases:

	Land and buildings	
	2015 £m	2014 £m
Within one year	**17**	20
Between one and five years	**43**	45
Beyond five years	**27**	31
Total	**87**	96

21. Finance lease liabilities

	2015		2014	
	Minimum payments	**Present value of minimum lease payments**	Minimum payments	Present value of minimum lease payments
	£m	**£m**	£m	£m
Within one year	-	-	3	3
Between one and five years	-	-	-	-
Total minimum lease payments	-	-	3	3
Less amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	-	-	3	3
Of which:				
Current	-	-	3	3
Non-current	-	-	-	-

The aggregate finance charges allocated for the period in respect of finance leases was £211,078 (2014: £470,680). The fair value of finance lease liabilities is not materially different from the carrying value.
In prior year the Group had finance lease contracts for equipment. The leases had no terms for renewal, purchase options or escalation clauses and there were no restrictions concerning dividends, borrowings or additional leases. The leases had an average term of six years.

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22. Related party disclosures

Joint venture

The following company is a joint venture of the Group:

Company	Country of incorporation	% Holding	Principal activities
First Rate Exchange Services Holdings Limited	United Kingdom	50	Bureau de Change

All shareholdings are equity shares.

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	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Royal Mail plc	-	356	-	40	-	29	-	50
First Rate Exchange Services Holdings Limited	**26**	27	**129**	125	**7**	5	**7**	6

The sales to and purchases from related parties are made at normal market prices. Balances outstanding at the year end are unsecured, interest free and settlement is made by cash. First Rate Exchange Services Holdings Limited is a joint venture of the Group. Until the Royal Mail plc Initial Public Offering (IPO) which took place on 15 October 2013 Royal Mail plc was a subsidiary of the Group's parent company Postal Services Holding Company Limited, after the IPO Postal Services Holding Company held an investment in Royal Mail plc. From the date of the IPO Royal Mail plc is not a related party of the Group.

The Group trades with numerous Government bodies on an arm's length basis. Transactions with these entities are not disclosed owing to the significant volume of transactions that are conducted.

Separately:

- The Group has certain loan facilities with Government (note 15);
- The Group has received a Government Grant of £170 million, all of which was recognised through the income statement; and
- The Group has received the Network Subsidy Payment from Government (note 1).

Key management comprises Executive and Non-Executive Directors of the Post Office Limited Board and the members of the Group Executive at 29 March 2015. The aggregate remuneration of the key management personnel of the Post Office Group is set out below:

	2015 £000	2014 £000
Short-term employee benefits*	**3,380**	3,582
Post-employment benefits	**68**	59
Other long-term benefits	**307**	439
Total	**3,755**	4,080

*Payment in lieu of notice has been included in short-term employee benefits. Please refer to the Director's Remuneration Report on page 55 for further details.

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Notes to the financial statements

23. Post balance sheet events

In accordance with the funding agreement with Government announced on 27 November 2013, for which State Aid approval was received on 19 March 2015, Post Office Limited received £280 million of funding on 1 April 2015.

24. Immediate and ultimate parent company

At 29 March 2015, the Directors regarded Postal Services Holding Company Limited as the immediate and ultimate parent company. The largest group to consolidate the results of the company is Postal Services Holding Company Limited, a company registered in the United Kingdom. Postal Services Holding Company Limited financial statements can be obtained from Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

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Parent Company financial statements 2014/15

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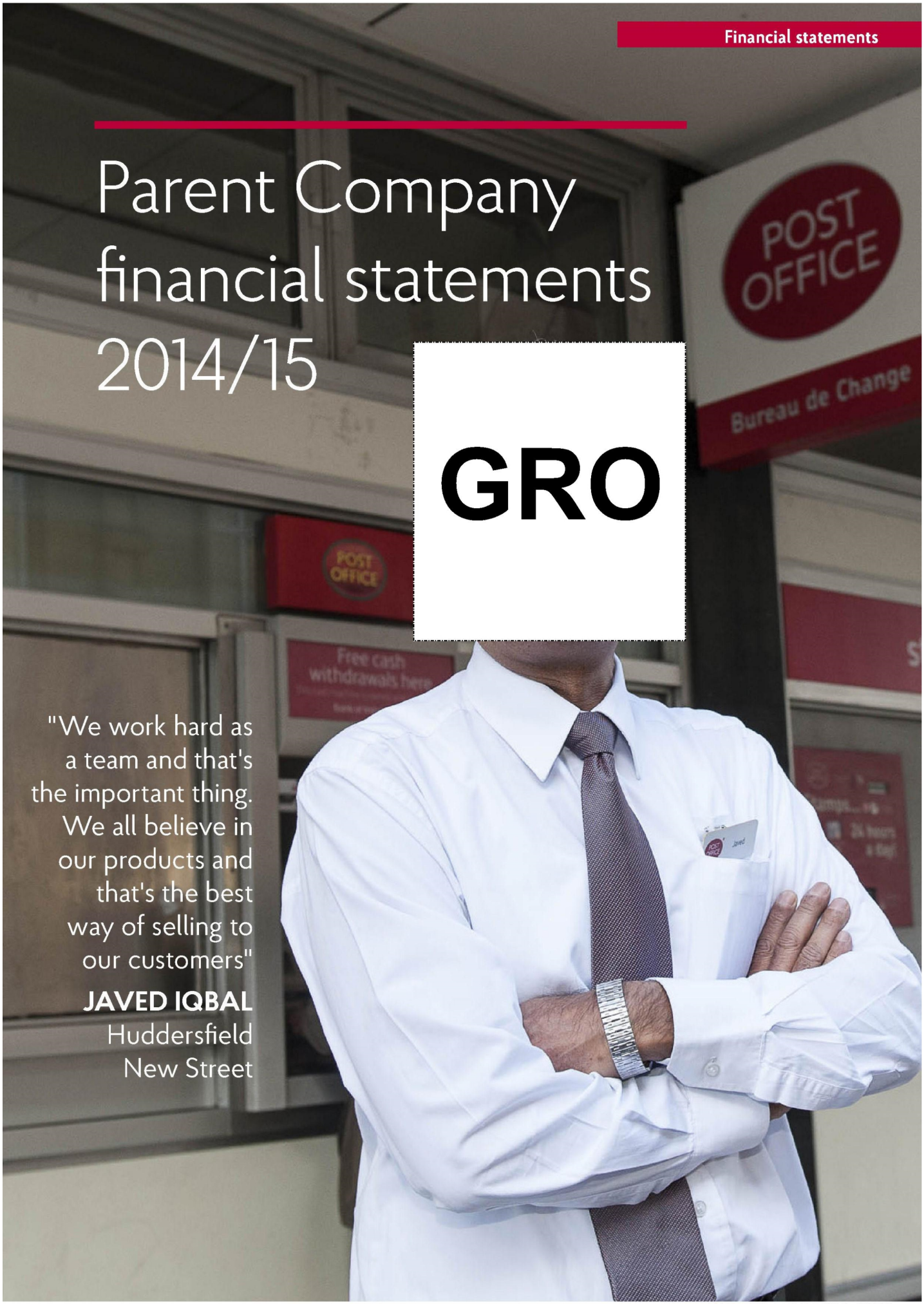

"We work hard as a team and that's the important thing. We all believe in our products and that's the best way of selling to our customers"

JAVED IQBAL
Huddersfield New Street

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Company statement of comprehensive income

At 29 March 2015

	Notes	2015 £m	2014 £m
(Loss)/profit for the financial year from continuing operations		**(60)**	169
Other comprehensive income not to be reclassified to profit or loss in future periods			
Remeasurements on defined benefit surplus	11	**54**	(52)
Income tax effect		**(9)**	(2)
Total comprehensive income for the year		**(15)**	115

There are no other comprehensive income items that will be reclassified to the profit and loss in subsequent periods.

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Company balance sheet

At 29 March 2015

	Notes	2015 £m	2014 (Restated) £m
Non-current asset			
Intangible assets	2	-	-
Property, plant and equipment	3	10	10
Investment in subsidiaries	4	-	-
Investments in joint ventures	5	1	1
Retirement benefit surplus	11	205	148
Trade and other receivables	6	10	15
Total non-current assets		226	174
Current assets			
Inventories		6	6
Trade and other receivables	6	399	353
Cash and cash equivalents	7	817	687
Total current assets		1,222	1,046
Current liabilities			
Trade and other payables	8	(716)	(770)
Financial liabilities–interest bearing loans and borrowings	9	(310)	-
Provisions	10	(57)	(70)
Total current liabilities		(1,083)	(840)
Non-current liabilities			
Other payables	8	(30)	(28)
Provisions	10	(6)	(8)
Total non-current liabilities		(36)	(36)
Net assets		329	344
Equity			
Share capital	12	-	-
Share premium		465	465
Retained earnings		(136)	(121)
Total equity		329	344

The financial statements on pages 100 to 121 were approved by the Board of Directors on 1 July 2015 and signed on its behalf by:

P A Vennells
Chief Executive

A Cameron
Chief Financial Officer

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Company statement of changes in equity

At 29 March 2015

	Notes	Share premium £m	Retained earnings £m	Total equity £m
At 31 March 2014		**465**	**(121)**	**344**
Profit for the year		**-**	**(60)**	**(60)**
Remeasurements on defined benefit surplus	11	**-**	**54**	**54**
Income tax effect		**-**	**(9)**	**(9)**
At 29 March 2015		**465**	**(136)**	**329**

	Notes	Share premium £m	Retained earnings £m	Total equity £m
At 1 April 2013		465	(236)	229
Profit for the year		-	169	169
Remeasurements on defined benefit surplus	11	-	(52)	(52)
Income tax effect		-	(2)	(2)
At 30 March 2014		465	(121)	344

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Notes to the financial statements

1. Accounting Policies

The accounting policies which follow set out those which apply in preparing the financial statements for the year ended 29 March 2015.

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 29 March 2015 (2014: 52 weeks ended 30 March 2014).

Authorisation of financial statements

The parent company financial statements of Post Office Limited (the 'Company') for the year ended 29 March 2015 were authorised for issue by the Board of Directors on 1 July 2015 and the balance sheet was signed on the board's behalf by P A Vennells and A Cameron. Post Office Limited is a limited company incorporated and domiciled in England and Wales.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). These financial statements are prepared under the historical cost convention.

As permitted by Section 408 of the Companies Act 2006 Post Office Limited has not presented its own income statements. The result dealt with in the accounts of the Company amounted to £60 million loss (2014: £169 million profit).

The results of Post Office Limited are included in the consolidated financial statements of Post Office Group 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 requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

  i. paragraph 73(e) of IAS 16 Property, Plant and Equipment

  ii. paragraph 118(e) of IAS 38 Intangible Assets

(d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 'Presentation of Financial Statements'

(e) the requirements of IAS 7 Statement of Cash Flows

(f) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

(g) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures'

(h) 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.

Fundamental accounting concept – going concern

In making an assessment of the Company's ability to continue as a going concern, the Directors have considered the going concern assessments made in relation to the Group (see note 1 on page 68) and are of the view that it is appropriate that these financial statements have been prepared on a going concern basis.

Prior year restatements

In preparing the financial statements for the current year, the comparative figures for the year ended 30 March 2014 have been restated for cash and cash equivalents and trade and other receivables. Credit and debit card receivables were previously included in cash and cash equivalents and have been reclassified to trade and other receivables. These receivables relate to payments made in branch by Post Office Limited customers using debit or credit cards. These payments are reimbursed to Post Office Limited by the card companies within 2 or 3 days post year end, as the cash had not been received as at year end, and the amount has been reclassified to debtors.

The impact on the 30 March 2014 financial statement is an increase to trade and other receivables of £51m and a decrease to cash and cash equivalents of £51m. This restatement had no impact on the profit, equity or net assets for the period ended 30 March 2014.

	As previously reported	Restatement	30 March 2014 Restated
Total Trade and other receivables	317	51	368
Total cash and cash equivalents	738	(51)	687

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Critical accounting estimates and judgements in applying accounting policies

The Company 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 Company has to make judgements in applying its accounting policies which affect the amounts recognised in the accounts. The most significant areas where judgements and estimates are made are discussed here:

Pension assumptions

The costs, assets and liabilities of the pensions operated by the Company are determined using methods relying on actuarial estimates and assumptions. These pension figures are particularly sensitive to changes in assumptions for discount rates, mortality and inflation rates. The Company exercises its judgement in determining the assumptions to be adopted, after discussion with its Actuary. Details of the key assumptions are set out in note 11.

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.

Provisions

The Company has recognised provisions where a present legal or constructive obligation exists as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are detailed in note 10. Due to the nature of provisions the future amount settled may be different from the amount that has been provided.

Impairment of non-current assets

The Company assesses whether there are any indicators of impairment for all non-currents assets at each reporting date. Due to ongoing operational losses (excluding the Network Subsidy Payment) the carrying value of intangible assets and all property plant and equipment other than freehold and long leasehold property has been impaired to the recoverable amount.

Intangible assets

Intangible assets acquired separately or generated internally are initially recognised at cost and are reviewed for impairment. An impairment loss is recognised in the income statement for the amount by which the carrying value of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and its value in use.

Amortisation of intangible assets with finite lives is charged annually to the income statement on a straight-line basis as follows.

Software	1 to 6 years

Where intangible fixed assets are impaired to their recoverable amount on acquisition, the above range of asset lives is not applied.

Property, plant and equipment

Property, plant and equipment is recognised at cost, including attributable costs in bringing the asset into working condition for its intended use.

Depreciation of property, plant and equipment is provided on a straight-line basis by reference to net book value and to the remaining useful economic lives of assets and their estimated residual values. The lives assigned to major categories of property, plant and equipment are:

	Range of asset lives
Land and buildings:	
Freehold land	Not depreciated
Freehold buildings	Up to 50 years
Leasehold buildings	The shorter of the period of the lease, 50 years or the estimated remaining useful life
Plant and Machinery	3-15 years
Motor vehicles and trailers	2-12 years
Fixtures and equipment	2-15 years

Where property, plant and equipment is impaired to their recoverable amounts on acquisition the above ranges of asset lives are not applied. This is currently the case for plant and machinery, motor vehicles and trailers and fixtures and equipment.

The remaining useful lives of freehold buildings are reviewed periodically and adjusted where applicable on a prospective basis.

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Impairment reviews

Unless otherwise disclosed in these accounting policies, assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The Company assesses at each reporting date whether such indications exist. 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) exceeds its recoverable amount, which is the higher of an asset's net realisable value and its value in use.

Leases

Finance leases, where substantially all the risks and rewards incidental to ownership of the leased item have passed to the Company are capitalised at the inception of the lease with a corresponding liability recognised for the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where substantially all the risks and rewards of ownership of the asset are retained by the lessor are classified as operating leases and rentals are charged to the income statement account over the lease term. The aggregate benefits of incentives are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Investments in joint ventures

Investments in joint ventures within the Company's financial statements are stated at cost less any accumulated impairment losses.

Investments in subsidiaries

Investments in subsidiaries within the Company's financial statements are stated at cost less any accumulated impairment losses. The carrying value relates solely to the Company's investment in Post Office Management Services Limited, a 100% subsidiary of the Company and is less than £1m.

Inventories

Stocks, which include printing and stationery, retail and lottery products, are carried at the lower of cost and net realisable value after adjusting for obsolete or slow-moving stock.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or are disallowed. It is calculated using tax rates in legislation that has 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:

- Initial recognition of goodwill
- 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;
- Taxable temporary differences associated with investments in subsidiaries' 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; and
- 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.

Pensions and other post-retirement benefits

Membership of occupational pension schemes is open to most permanent UK employees of the Company. All members of defined benefit schemes are contracted out of the earnings-related part of the State pension scheme.

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. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet. 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 Company, 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).

For defined benefit schemes, the amounts charged to operating profit, as part of staff costs, are the current service costs and any gains and losses arising from settlements, curtailments and past service costs. The net difference between the interest costs and the

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Notes to the financial statements

expected return on plan assets is recognised as net pensions interest in the income statement. 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.

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

Foreign currencies

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

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction (or at the contracted rate if the transaction is covered by a forward foreign currency contract). Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date (or the appropriate forward contract rate). All differences are taken to the income statement.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any non-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are directly attributable to the construction or development of a qualifying asset, in which case they are capitalised using the weighted average cost of borrowing for the period of construction/development.

Government grants

Government grants of a revenue nature are recognised to match costs in relation to the performance of certain specified activities.

Provisions

Provisions are recognised when the Company 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. 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.

Financial instruments

The classification of financial instruments included on the balance sheet is set out below:

Financial assets

Financial assets are classified into the following categories: at fair value through the income statement, loans and receivables, and available for sale as appropriate based on the purpose for which they were required. Financial liabilities are classified as either fair value through the income statement or as financial liabilities measured at amortised cost.

Financial liabilities – interest-bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Financial liabilities – obligations under finance leases

All obligations under finance lease and hire purchase contracts are classified as financial liabilities measured at amortised cost.

Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Such derivative financial instruments are stated at fair value. Hedge accounting has not been adopted for foreign exchange derivative instruments.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models. Specifically, in the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying currency and discounted using quoted interest rates. Hence derivative assets and liabilities are within Level 2 of the fair value hierarchy as defined within IFRS 7. For the purposes of disclosing the fair value of investments held at amortised cost in the balance sheet, in the absence of quoted market prices, fair values are calculated by discounting the future cash flows of the financial instrument using quoted equivalent interest rates as at close of business on the balance sheet date.

Derecognition of financial instruments

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits (cash equivalents) with an original maturity date of three months or less. In addition the Company uses Money Market funds as a readily available source of cash, and these funds are also categorised as cash equivalents.

Auditor's 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).

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2. Intangible assets

Cost	2015 £m	2014 £m
At 31 March 2014, 1 April 2013	**243**	208
Reclassifications	**(3)**	-
Additions	**57**	42
Disposals	**-**	(7)
At 29 March 2015, 30 March 2014	**297**	243
Amortisation and impairment		
At 31 March 2014, 1 April 2013	**243**	208
Reclassifications	**(3)**	-
Impairment (see note 5 in the Group financial statements)	**57**	42
Disposals	**-**	(7)
At 29 March 2015, 30 March 2014	**297**	243
Net book value		
At 29 March 2015, 30 March 2014	**-**	-

The above intangible assets relate to software.

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Notes to the financial statements

3. 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 31 March 2014	100	17	113	44	1	739	1,014
Reclassification	(31)	26	6	-	-	2	3
Additions	16	12	-	1	-	55	84
Disposals	(2)	-	(4)	(5)	-	(13)	(24)
At 29 March 2015	**83**	**55**	**115**	**40**	**1**	**783**	**1,077**
Depreciation							
At 31 March 2014	91	16	113	44	1	739	1,004
Reclassification*	(31)	26	6	-	-	2	3
Impairment (see note 5 in the Group financial statements)	16	12	-	1	-	55	84
Disposals	(2)	-	(4)	(5)	-	(13)	(24)
At 29 March 2015	**74**	**54**	**115**	**40**	**1**	**783**	**1,067**
Net book value							
At 29 March 2015	**9**	**1**	**-**	**-**	**-**	**-**	**10**
At 30 March 2014	9	1	-	-	-	-	10

Depreciation rates are disclosed within accounting policies (note 1). No depreciation is provided on freehold land, which represents £3 million (2014: £3 million) of the total cost of properties.

* Reclassification between freehold, long leasehold and short leasehold asset categories is due to the fact that all land and building assets are classified as freehold whilst they are an asset under construction, then once works are complete and lease contracts are confirmed, the asset is moved into the correct respective category.

4. Investment in subsidiaries

The carrying value of £100 relates solely to the Company's investment in Post Office Management Services Limited, a 100% subsidiary of the Company. The registered address of Post Office Management Services Limited is Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

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5. Investments in joint ventures

	2015 £m	2014 £m
Investment in joint ventures	1	1

Joint ventures

During 2014/15 and 2013/14, 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 £0.6 million (2014: £0.6 million), whose principal activity is the provision of Bureau de Change. 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.

6. Trade and other receivables

	2015 £m	2014 (Restated) £m
Current:		
Trade receivables	101	105
Amounts owed by group undertakings	2	-
Prepayments and accrued income	106	82
Client receivables	162	158
Other receivables	28	8
Total	399	353
Non-current:		
Prepayments and accrued income	10	15

7. Cash and cash equivalents

	2015 £m	2014 (Restated) £m
Cash in the Post Office Limited network	708	657
Short-term bank deposits	89	30
Money market fund investments	20	-
Total	817	687

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Notes to the financial statements

8. Trade and other payables

	2015 £m	2014 £m
Current:		
Bank overdraft	-	50
Trade payables	29	55
Accruals	159	133
Deferred income	29	37
Social security	9	14
Client payables	454	437
Obligations under finance lease	-	3
Capital payables	25	31
Business transformation	-	10
Other payables	11	-
Total	716	770
Non-current:		
Other payables	30	28

9. Financial liabilities – interest bearing loans and borrowings

	2015 £m	2014 £m
Department of Business, Innovation & Skills loan drawn down	310	-

The loan under the facility is short dated on a programme of liquidity management and matures on average 1 day after the year end (2014: 1 day). The fair value of borrowings approximate 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, which expires in 2018. The undrawn committed facility, in respect of which all conditions precedent had been met at the balance sheet date, is £840 million (2014: £1,150 million). From the 30 March 2015 the total facility reduces from £1,150m to £950m.

The average interest rate on the drawn down loans is 1.0% (2014: 1.0%).

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

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10. Provisions

	Crown Conversions Project £m	Network Transformation £m	Other £m	Total £m
At 31 March 2014	2	51	25	78
Charged in operating exceptional items	-	67	29	96
Charged in operating costs	-	-	16	16
Utilisation	(1)	(78)	(43)	(122)
Unused amounts in the year – operating exceptionals	(1)	-	(1)	(2)
Unused amounts in the year – operating costs	-	-	(3)	(3)
At 29 March 2015	-	**40**	**23**	**63**
Disclosed as:				
Current	-	39	18	57
Non-current	-	1	5	6
	-	40	23	63

The Crown Conversions project related to past franchising of Crown offices and onerous property lease provisions.

The Network Transformation provision relates to the major transformation programme which is discussed further in the Business and Strategy Review on page 14.

Other provisions of £23 million (2014: £25 million) include onerous lease obligations, severance and personal injury claims.

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Notes to the financial statements

11. Pensions

The disclosures in this note relating to the year ended 29 March 2015 and the comparatives for the year ended 30 March 2014 reflect the Post Office Limited sectionalised RMPP scheme which is independently operated by the Company and the 7% share of the RMSEPP scheme. Royal Mail Group Limited is the principal employer in Royal Mail Senior Executive Pension Plan (RMSEPP) and Post Office Limited became a participating employer with effect from 1 April 2012.

The disclosures in this note show how the value of the assets and liabilities has been calculated at the balance sheet date. The Company participates in pension schemes as detailed below.

Name	Eligibility	Type
Royal Mail Pension Plan (RMPP)	UK employees	Defined benefit
Royal Mail Senior Executive Pension Plan (RMSEPP)	UK senior executives	Defined benefit
Royal Mail Defined Contribution Plan (RMDCP)	UK employees	Defined contribution

Defined Contribution

The charge in the income statement for the defined contribution schemes and the Company contributions to these schemes was £3 million (2014: £2 million) during the year. A new defined contribution plan (RMDCP) was launched in April 2009. With effect from 1 April 2015 RMDCP will be replaced by Post Office Pension Plan. New recruits joining from 31 March 2008 are able to begin paying contributions to the new plan after they have worked for the Company for a year.

Defined Benefit

Both RMPP and RMSEPP are funded by the payment of contributions to separate trustee administered funds. The latest full actuarial funding valuation of RMPP was carried out as at 1 April 2012 using the projected unit method. For RMPP, this valuation was concluded at £135 million surplus. The latest full actuarial funding valuation of RMSEPP was carried out as at 31 March 2012 using the projected unit method. For 100% of the RMSEPP plan, the valuation was concluded at £83 million deficit. Valuations are carried out triennially and the next one will be performed as at 1 April 2015. 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 members of Section A 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.

A series of changes to RMPP and RMSEPP began to take effect on 1 April 2008. The changes encompassed:

- The Plans closed to new members from 31 March 2008;
- All pensions and benefits earned before 1 April 2008 are linked to final pensionable salary, but defined benefits built up from 1 April 2008 are earned on a "career average pensionable salary" basis;
- From 1 April 2014, pensionable salary was amended to the amount in force at that date, increasing each 1 April thereafter in line with RPI (up to 5% each year), with allowance for certain promotional increases. This change resulted in a one-off exceptional gain of £102 million for the 2013/14 financial year;
- Employees can continue to take their pension on reaching 60 but the normal retirement age increased to 65 for benefits earned from 1 April 2010;
- From 1 April 2010 it is possible to draw pension earned before the change to normal retirement age at 55, and continue working while still contributing to the Pension Plan until the maximum level of benefits has been reached; and
- RMSEPP was closed to future accruals on 31 December 2012.

Payment of £19 million (2014: £21 million) was made by the Company during the year in respect of regular future service contributions, nearly all relating to RMPP. The regular future service contributions for RMPP, expressed as a percentage of pensionable pay, has remained at 17.1% (2014 17.1%), effective from April 2010. This rate is not expected to change materially during 2015/16.

The Company pays 7% of the total deficit payment required to fund the deficit in RMSEPP and a payment of £1 million (2014: £1 million) was made by the Company during the year. No RMPP deficit payments were made during 2013/14 or 2014/15. For RMSEPP, deficit recovery payments will be £1 million per annum,

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from 1 April 2010 to 31 January 2024.

A current liability of £1 million (2014: £nil) has been recognised for payments to the pension schemes relating to redundancy. During the year, payments of £2 million (2014: £1 million) relating to redundancy were made.

The weighted average duration of the RMPP fund is 28 years, and for the RMSEPP fund is 21 years. Over the next financial reporting period to 27 March 2016 it is expected that employer contributions to the plans will be £19 million and £1 million for RMPP and RMSEPP respectively.

The following disclosures relate to the gains/losses and surplus/deficit in the scheme recognised for RMPP and RMSEPP defined benefit plans in the financial statements of the Company:

a) Major long-term assumptions

The size of the RMPP pension surplus, which is large in the context of the Company and its finances, is materially sensitive to the assumptions adopted. Small changes in these assumptions could have a significant impact on the surplus and overall income statement charge. The major long-term assumptions in relation to both RMPP and RMSEPP were:

	At 29 March 2015 % pa	At 30 March 2014 % pa
Rate of increase in salaries	**2.8**	3.2
Rate of pension increases – RMPP sections A/B	**1.9**	2.3
Rate of pension increases – RMPP section C	**2.8**	3.2
Rate of pensions increases – RMSEPP members transferred from Section A or B of RMPP	**1.9**	2.4
Rate of pension increases – RMSEPP all other members	**2.8**	3.3
Rate of increase for deferred pensions – RMSEPP members transferred from Section A or B of RMPP	**1.9**	2.4
Rate of increase for deferred pensions	**1.9**	2.3
Discount rate	**3.5**	4.5
Inflation assumption (RPI) – RMPP	**3.0**	3.3
Inflation assumption (CPI) – RMPP	**1.9**	2.3
Inflation assumption (RPI) – RMSEPP	**3.0**	3.4
Inflation assumption (CPI) – RMSEPP	**1.9**	2.4

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Notes to the financial statements

The ultimate cost of the RMPP plan to the Company will depend upon future events rather than the assumptions made. The assumptions made may not be borne out in practice and as such the cost of the plan may be higher (or lower) than disclosed.

In common with other defined benefit schemes, the main risk in relation to the arrangements is the value of the assets does not keep pace with the increase in the value of the liabilities. This can arise for many reasons, but the most significant risks are as follows:

Investment risk: If the assets of the arrangements fall short of expectations, this will lead to a decrease in the funded status.

Asset volatility: The arrangements hold return seeking assets (including equities and property) which are expected to outperform corporate bonds in the long-term but give exposure to volatility and risk in the short term. RMPP does, however, invest in liability driven investment (LDI) assets, for example corporate bonds, which mitigates the impact of interest rate and inflation volatility on the funded status.

Inflation risk: Higher inflation rates than expected will act to increase the plan liabilities as benefits will increase to a higher level than assumed. The arrangements have a maximum pension increase (generally 5% per annum) written into the rules which limits the increase for many benefits, so limiting the impact of high inflation. This includes pensionable pay in RMPP, which was amended with effect from 1 April 2014. In addition, the arrangement holds assets that increase in value as price inflation expectations rise, so mitigating the impact of rising inflation expectations. These assets include LDI assets in respect of RMPP.

Changes in bond yields: A decrease in corporate bond yields will increase the plan liabilities, although this will be partially offset by an increase in the value of the bond holdings and, to some extent, the LDI assets.

Pensioner longevity: If members live longer than expected, the liabilities would increase because pensions would be paid for a longer time.

Liabilities accrued in the Royal Mail Pension Plan to 31 March 2012 were transferred to the Royal Mail Statutory Pension Scheme. These liabilities are no longer an obligation of the Company and consequently the transfer resulted in a significant removal of pension risk from the Company.

The following table shows the potential impact on the RMPP assets and pension surplus of changes in key assumptions:

	2015 £m	2014 £m
Changes in RPI and CPI inflation of +0.1% pa	**(4)**	(3)
Changes in discount rate of +0.1%pa	**4**	3
Changes in real salary growth of +0.1% pa	**(1)**	(1)
Changes in CPI assumptions of +0.1% pa	**(1)**	(1)
An additional 1 year life expectancy	**(5)**	(3)

The sensitivity analysis has been prepared using projected benefit cashflows 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 cashflows have changed since those valuations although any change is not expected to be material in the context of the above sensitivity analysis.

Mortality

The mortality assumptions for the RMPP sectionalised scheme are based on the latest self-administered pension scheme (SAPS) mortality tables with appropriate scaling factors (106% for male pensioners and 101% for female pensioners). For future improvements the assumptions allow for 'medium cohort' projections with a 1.25% floor. These are detailed below:

Average expected life expectancy from age 60:	**2015**	2014
For a current 60 year old male RMPP member	**27 years**	26 years
For a current 60 year old female RMPP member	**30 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	**32 years**	32 years

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b) Plans' assets

The assets in the plans for the Company were:

Sectionalised RMPP	Market value 2015 £m	Market value 2014 £m
UK equities	1	1
Overseas equities	10	18
Corporate bonds	217	118
Property	8	5
Private Equity	12	-
Cash and cash equivalents	6	38
Bond/fixed interest funds	50	43
Index-linked funds	10	8
Other loan/debt funds	20	4
Alternative asset funds	11	14
Equity funds	34	11
Fair value of RMPP assets	379	260
Present value of RMPP liabilities	(150)	(90)
Surplus in plan before asset ceiling adjustment	229	170
Less effect of asset ceiling	(27)	(23)
Surplus in plan after asset ceiling adjustment	202	147

Share of RMSEPP	Market value 2015 £m	Market value 2014 £m
UK equities	1	1
Overseas equities	11	9
Government bonds	16	-
Corporate bonds	-	13
Property	2	2
Other assets	1	1
Fair value of share in plan assets for RMSEPP	31	26
Present value of share in plan liabilities for RMSEPP	(26)	(24)
Surplus in plan for the share of RMSEPP before asset ceiling adjustment	5	2
Less effect of asset ceiling	(2)	(1)
Surplus in plan for share of RMSEPP after asset ceiling adjustment	3	1

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Notes to the financial statements

A retirement benefit surplus of £205 million is disclosed on the balance sheet, representing the surplus in plans of £229 million and £5 million for RMPP and RMSEPP respectively, and net of tax of £29 million at a rate of 35% on the element of the surplus which is recoverable through a refund from the plans.

There is no element of the above present value of liabilities that arises from plans that are wholly unfunded. The categories of plan assets as a percentage of total plan assets are as follows:

Securities with quoted price in an active market:

Sectionalised RMPP	2015 %	2014 %
UK equities	-	-
Overseas equities	3	7
Corporate bonds	57	45
Property	2	2
Private equity	3	-
Cash and cash equivalents	2	15
Bond/fixed interest funds	13	17
Index-linked funds	3	3
Other loan/debt funds	5	2
Alternative asset funds	3	5
Equity funds	9	4
Total quoted securities	100	100

Sectionalised RMSEPP	2015 %	2014 %
UK equities	3	4
Overseas equities	36	34
Government bonds	52	-
Corporate bonds	-	50
Property	6	8
Other assets	3	4
Total quoted securities	100	100

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c) Movement in plans' assets and liabilities

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

Assets	Sectionalised RMPP 2015 £m	Sectionalised RMPP 2014 £m
Assets in sectionalised RMPP at beginning of period	**260**	243
Contributions paid	**21**	22
Employee contributions paid	**7**	8
Finance income	**12**	12
Actuarial gains/(losses)	**81**	(24)
Benefits paid to members	**(2)**	(1)
Assets in sectionalised RMPP at end of period	**379**	260

Assets	Share of RMSEPP 2015 £m	Share of RMSEPP 2014 £m
Share of assets in RMSEPP at beginning of period	**26**	25
Contributions paid	**1**	1
Finance income	**1**	1
Actuarial gains	**4**	-
Benefits paid to members	**(1)**	(1)
Share of assets in RMSEPP at end of period	**31**	26

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

Liabilities	Sectionalised RMPP 2015 £m	Sectionalised RMPP 2014 £m
Liabilities in sectionalised RMPP at beginning of period	(90)	(144)
Royal Mail Pension Plan amendment	-	102
Current service cost	(25)	(25)
Curtailment costs*	(1)	(1)
Finance cost	(5)	(7)
Employee contributions	(7)	(8)
Actuarial loss	(23)	(8)
Experience adjustments on liabilities	(1)	-
Benefits paid	2	1
Liabilities in sectionalised RMPP at end of period	(150)	(90)

Liabilities	Share of RMSEPP 2015 £m	Share of RMSEPP 2014 £m
Share of liabilities in RMSEPP plans at beginning of period	(24)	(24)
Finance cost	(1)	(1)
Actuarial gain/(loss)	(2)	-
Benefits paid	1	1
Share of liabilities in RMSEPP at end of period	(26)	(24)

*The curtailment costs in the income statement are recognised on a consistent basis with the associated compensation costs. Estimates of both are included, for example, in any redundancy provisions raised. The curtailment costs above represent the costs associated with those people paid compensation in respect of redundancy during the accounting period. Such payments may occur in an accounting period subsequent to the recognition of costs in the income statement.

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d) Recognised charges

An analysis of the separate components of the amounts recognised in the performance statements of the Company is as follows:

	Sectionalised RMPP 2015 £m	Sectionalised RMPP 2014 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged to operating profit before exceptional items:		
Current service cost	**25**	25
Total charge to operating profit before exceptional items	**25**	25
Analysis of amounts charged to operating exceptional items:		
Royal Mail Pension Plan amendment	**-**	(102)
Loss due to curtailments	**1**	1
Total charge/(credit) to operating profit	**26**	(76)
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	**5**	7
Interest income on plan assets	**(12)**	(12)
Net pensions credit to financing	**(7)**	(5)
Net charge/(credit) to the income statement before deduction for tax	**19**	(81)
Analysis of amounts recognised in the statement of comprehensive income:		
Actual return on plan assets	**93**	(12)
Less: expected interest income on plan assets	**(12)**	(12)
Less: taxation on surplus recoverable through plan refunds	**(4)**	(20)
Actuarial gains/(losses) on assets (all experience adjustments)	**77**	(44)
Experience adjustments on liabilities	**(1)**	-
Effects of changes in actuarial assumptions on liabilities	**(23)**	(8)
Actuarial losses on liabilities	**(24)**	(8)
Total actuarial gains/(losses) recognised in the statement of comprehensive income	**53**	(52)

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Notes to the financial statements

	Share of RMSEPP 2015 £m	Share of RMSEPP 2014 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	1	1
Interest income on plan assets	(1)	(1)
Net pensions credit to financing	-	-
Net charge/(credit) to the income statement before deduction for tax	-	-
Analysis of amounts recognised in the statement of comprehensive income:		
Actual return on plan assets	5	1
Less: expected interest income on plan assets	(1)	(1)
Less: taxation on surplus recoverable through plan refunds	(1)	-
Actuarial gains on assets (all experience adjustments)	3	-
Experience adjustments on liabilities	-	-
Effects of changes in actuarial assumptions on liabilities	(2)	-
Actuarial losses on liabilities	1	-
Total actuarial gains recognised in the statement of comprehensive income	1	-

12. Called up share capital

	2015 £	2014 £
Authorised		
Ordinary shares of £1 each	51,000	51,000
Total	51,000	51,000
Allotted and issued		
Ordinary shares of £1 each	50,003	50,003
Total	50,003	50,003

15. Commitments

Capital commitments contracted for but not provided in the financial statements amount to £96 million (2014: £68 million).

Details of the Company commitments under non-cancellable operating leases are disclosed in the Group financial statements (note 20).

16. Finance lease liabilities

Details of the Company's finance lease liabilities are disclosed in the Group financial statements (note 21).

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17. Related party disclosures

Details of transactions with related parties are disclosed in the Group financial statements (note 22).

Post Office Management Services Limited, a 100% subsidiary of the Company is disclosed as a related party below but this is not required in the Group financial statements.

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	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Post Office Management Services Limited	1	-	-	-	2	-	-	-

18. Operating exceptional items

Details of operating exceptional items are disclosed in the Group financial statements (note 5).

19. Taxation

Details of the taxation gains recognised in the year are disclosed in the Group financial statements (note 8a).

20. Post balance sheet events

In accordance with the funding agreement with Government announced on 27 November 2013, for which State Aid approval was received on 19 March 2015, Post Office Limited received £280 million of funding on 1 April 2015.

21. Immediate and ultimate parent company

At 29 March 2015, the Directors regarded Postal Services Holding Company Limited as the immediate and ultimate parent company. The largest group to consolidate the results of the Company is Postal Services Holding Company Limited, a company registered in the United Kingdom. Postal Services Holding Company Limited financial statements can be obtained from Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

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