

Annual Report & Consolidated Financial Statements 2021/22.

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of the Postal Services Act 2000



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Strategic Report

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

Chairman's Foreword

As I approach the end of my tenure as the Chair of the Post Office Board, I am thoughtful of the many changes I have witnessed across the business since 2015 – and as we pass the decade anniversary since our separation from Royal Mail. During this time, I have met countless brilliant people and been fortunate to visit post offices across the UK. Above all, I have time and again been inspired by Postmasters whose knowledge, expertise and service are needed as much today as at any time in Post Office's history.

As Chairman, I have a shared responsibility with the Chief Executive and Board colleagues to safeguard the future of Post Office for the next generation. With this firmly in mind, I have two reflections on the past financial year.

The first is in relation to the business' financial position. The business made a trading loss of £119 million in 2012. By 2020, and before the onset of the pandemic, Post Office made a trading profit of £82 million.

This represents the significant progress we have made over the last decade towards commercial sustainability and reduced reliance on Government. This, by any measure, is a remarkable turnaround for a public-owned business whose only incentive to make profit is to better serve and support communities across all four countries of the UK.

In 2021/22, a decade on since independence, Post Office was able to make further progress in this regard, exceeding its target with an underlying trading profit of £42 million, up £7 million on the previous year. This is of course a drop from our pre-pandemic performance, but nevertheless it reflects a robust trading performance as well as our continued success in managing our costs – despite the pandemic, despite a depressed travel market and despite an increasingly turbulent global economic outlook. This performance – and indeed the successes of the last few years – is entirely due to the hard work of our Postmasters and their teams, our Directly Managed Branches ("DMBs"), supply chain staff and our support function colleagues, for which they have my deepest gratitude.

To be candid, there are challenges ahead for the business – even in my long career, I have witnessed few uniquely challenging years as those which Post Office is set to face. Many of our customers' lives are now digital in nature; the outlook for the global economy is gloomy, exacerbated by Russia's invasion of Ukraine; in the UK, many, not least our Postmasters, are starting to feel the bite of the cost of living crisis. Post Office also faces its own, particular challenges in the months ahead. We must continue to play our part in righting historic wrongs, but also separately need to reckon with reduced funding from Government to invest in our business due to the myriad pressures on the public finances. Like other businesses and households across the UK, Post Office must therefore reprioritise its plans consistent with the funds we have available, which may mean our journey to become less reliant on Government is extended in turn.



My second reflection is on the unfolding Horizon IT scandal. This past financial year was one of the most difficult in the history of the business. The year began with the Court's findings that dozens of former Postmasters had been wrongly convicted of fraud, theft and false accounting. Since December 2020, some 81 Postmasters have had their convictions quashed and we are doing all we can to encourage and support many more who may also have suffered the same fate to come forward. Alongside this, Sir Wyn's public Inquiry into the Horizon IT scandal was, quite rightly, placed onto a statutory footing and began its oral hearings in February 2022. These shone a new light on the profound human costs of this colossal injustice. As distressing and uncomfortable as they are, it is an essential precursor to restoring the requisite trust with Postmasters and other stakeholders on which our future success depends.

We have made real progress over the last year in righting those wrongs. Working with Government, we secured funding in December 2021 for those with overturned historical convictions and, to date, of the 81 Postmasters whose convictions have been quashed (80 Post Office prosecutions and 1 Crown Prosecution Service prosecution), we have made interim payments of up to £100,000 to 70. Meanwhile, we continue to pay civil compensation through the Historical Shortfall Scheme ("HSS") to Postmasters who have been affected by financial discrepancies related to previous versions of Horizon. We are conscious of delays, however, and are working hard to expedite payments. This is beginning to bear fruit, and we expect to have made 95% of HSS offers by the end of the calendar year. Separately, we have been working with Government to address the injustice for those whose claims were settled in the Group Litigation, and welcome the announcement in March 2022 that the Government will be providing them with appropriate redress. Achieving fair compensation for all is a complex and, at times, frustratingly long process but, working with Government, we will not rest until that goal is achieved.

Beyond reassurance that history will not repeat itself, a key determinant in our success, now and in the future, will be the extent of confidence our Postmasters feel in their ability to thrive commercially, properly supported by Post Office as they look to grow their businesses.

We have taken determined steps to ensure that we have a genuine understanding of the support Postmasters need, not least in appointing two to our Board as Non-Executive Directors, as well as a serving Postmaster as an executive Director, to ensure our future is grounded in the reality of their experiences. We have established both regional and local Postmaster forums, as well as Postmaster working groups on key topics to promote genuine collaboration. We are transforming our IT to ensure Postmasters have the latest data and information at their fingertips so that they can make informed decisions about how best to run their branch. Each of our senior leaders now spends time getting to know Postmasters in a designated area to see first-hand how they can best help them in their work – with feedback collated and circulated across the business. We are also involving Postmasters through a suite of working groups of key topics, for instance in co-designing our new IT system to replace Horizon. Indeed, we passed a significant milestone this year as we completed our first transactions independently of Horizon as part of trials for our new, lighter-touch 'Drop and Collect' format.

Importantly, we now know these efforts are beginning to bear fruit. We held our second Postmaster Research consultation earlier this year, providing essential insight to better understand our Postmasters' needs and shape the business's priorities accordingly. Our research shows that, compared to a year ago, more Postmasters are positive about their relationship with Post Office; more feel supported by the business; more feel that Post Office recognises their critical importance, and more sense that Post Office understands their day-to-day challenges. Forging a strong partnership with Postmasters will take time. This isn't about quick fixes or easy wins, but a fundamental rebalancing in every part of the business.

In my time, I have seen my fair share of businesses navigate their way through change and challenges. I have been with them through the good and the bad – both financially and reputationally. And so, if I may, it is with a certain level of confidence borne of experience that I can say that the fundamentals of the Post Office are still strong. Of course, the world is becoming ever more digital. Yet the online world will always have its limits and confines; and there will always be things better done in person – whether taking out cash or posting a parcel. And with a network of over 11,500 branches – each manned by a Postmaster you can talk to face-to-face – we are the only retailer in each country and every community across the UK.

Post offices are more than just another retailer on the high street – more than a bank, more than a place to buy essentials, more than a stop-off to collect a parcel or a spot to top-up the energy meter. It is all this, but also

more than the sum of these parts. I leave the business in the capable hands of the Chief Executive Officer and his team, and the Post Office Board. We have overcome many obstacles together, and I am sure there will be more to come, but our purpose and intent to 2025 will steer us on the path of building a more successful, sustainable and sought-after business that we can continue to be proud of.



Tim Parker

Chairman

17 August 2022

Chief Executive Statement

It is tempting to dwell on the continuing impact of the COVID-19 pandemic on the world and, of course, on the Post Office. However, there are many other, more positive, stories to tell about our business over the past financial year – stories made all the more remarkable given they took place in the midst, and in spite, of the pandemic.

While there is certainly much to celebrate about our commercial performance over the past year, one of those stories exemplifies our social purpose. We are privileged as a Government-owned business to be able to use other metrics, over and above the traditional financial ones, to measure our success. With a presence in every community in the UK, the last year has seen us step up time and again to help those most in need in a uniquely challenging year. Indeed, the trials of the pandemic were almost immediately substituted by another unwelcome surprise when Russia invaded Ukraine. In March we supported the Disaster Emergency Committee's Ukraine humanitarian appeal to support those fleeing the appalling crisis there, raising £1 million in just the last few weeks of our financial year and building on important work earlier in the year to support its Coronavirus appeal.



More recently, as the economic context has worsened, we have partnered with others to use the strength, trust and reach of our brand to help the UK through these difficult times. Take our partnership with the Trussell Trust to help fight UK hunger for example where, by pledging 1p for every cash withdrawal made over our counters, we were able to donate nearly £300,000 in total – surpassing our target by an impressive 18%. 2021/22 saw continued strong demand for our 'Payout' service with £85 million paid out to customers through over 850,000 vouchers for schemes like the Warm Homes Discount. We have since seen further demand for the product across public sector clients and charities; from the start of the 2022/23 financial year to 31 July 2022 we paid out £168 million in vouchers, a year on year increase of nearly 100% in the first four months of 2022/23 alone, when compared to the whole of 2021/22. As the cost of living crisis deepens, market-leading products like Payout demonstrate the enormous value of having a physical presence in each nation, and every community across the UK. Of course, this is to say nothing of the countless stories of Postmasters going above and beyond the call of duty to support their communities – through local fundraising, food and donation collections and offering advice and tips to those struggling.

All the while, we have been making huge strides across the business to ensure that Post Office is a commercially sustainable business that can continue to contribute to the public good for years to come. Indeed, I began the past financial year by communicating to Postmasters and colleagues my Intent for the Post Office to 2025 to become a successful, sustainable and sought-after retailer that is less reliant on Government subsidy. Despite the obvious headwinds, we were able to meet our trading profit target thanks to the resilience and dedication of our Postmasters, our colleagues in directly managed branches, the supply chain colleagues who distribute cash and stock across the nation, and the wider support teams who help keep the show on the road.

In retail terms, the biggest contributors to our strong performance are our Mails and Banking businesses – both of which have hit a number of major milestones. In Mails, following our landmark Mails Distribution Agreement II ("MDA2") with Royal Mail, we have been able to open up our extensive branch network to other providers for the first time in our long history. Within months of the financial year starting, we secured major new partnerships with both DPD and Amazon to provide "Pick Up, Drop Off" ("PUDO") services across our networks and, at the time of writing, we have rolled these services out to over 5000 branches across the UK. This new deal continues to pay dividends, with DPD Ireland recently being confirmed as our third PUDO partner and trials for a "Drop Off" offering starting later this year.

Meanwhile, our Banking business has a remarkable story to tell. With banks across the UK continuing to close branches – over 700 in 2021 alone – Post Office has shown that it can step in to meet the needs of retail and business customers across the UK. We now regularly transact more than £3 billion each month in cash withdrawals and deposits across our counters. This has helped small business on high streets to get back on their feet as they emerged from the pandemic. And, looking ahead, we are best placed to support countless consumers looking to better manage their household finances by using cash more frequently as the economic situation deteriorates. That is why it was so important to secure agreement with 30 banks and building societies to a third Banking Framework as we did this year, which will extend this critical service for consumers and businesses across the UK for a further three years through to December 2025.

And we have gone further still. Over the past financial year, we have been exploring innovative new solutions like our Banking Hubs to protect free, convenient and reliable access to cash for UK communities. These pilots first began in Rochford and Cambuslang in April 2021 as part of the Community Access to Cash Pilots. Thanks to their overwhelming success, the Cash Action Group announced a landmark, multi-million-pound programme to share services and help protect cash across the UK, including by rolling out additional banking hubs across the UK. Our role in the cash and banking market will only grow in the years to come and we welcome the Government's recent announcement about plans to introduce access to cash legislation later this year. Cash will remain vital to millions of people and businesses across the country for quite some time yet, and I am proud that we have championed the need to protect its continued use from the get-go.

Of course, there are a number of other success stories for our products over the past year. Particular mention must go to our new partnership with Yoti, a global leader in digital identity services, to expand our identity offering. With Yoti, we have launched EasyID, a free app that allows customers to create, manage and share their own reusable digital identity on a phone. With over 250,000 users at the time of writing, this is an exciting opportunity to integrate digital and physical identity verification at scale so that Post Office can play a key role in driving the UK's digital transformation. We were therefore delighted that Post Office was approved by Government as the UK's first certified digital identity service providers for services from proving people's 'Right to Work' to offering 'Right to Rent' checks.

These threads of success weave together to tell a very positive story about Post Office over the past financial year – none of which would have been possible without the determination, grit and support of our Postmasters. Our colleagues, too, have worked hard in driving improvements and innovations for Postmasters. Reflecting on the year just gone, this was perhaps the first in a number of years that we have been able to start looking further ahead. As Tim's foreword demonstrated, the implications of Post Office's historic failings continue to press upon us in the here and now – I am under no illusions about that fact. However, with the progress we have made with Sir Wyn's public Inquiry, securing compensation for those wronged, and delivering a suite of operational and cultural changes across the business, we have started to turn to the next chapter in Post Office's long history.

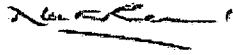
That next chapter will also, inevitably, bring its own challenges. I am, for instance, deeply conscious of the fact that, despite a robust performance in tricky circumstances, Postmaster remuneration fell in the year. This was partly a reflection of customer demand for our products. We know from the responses to our survey, as well as in our direct engagement at our Postmasters' conference, that remuneration remains the number one concern on the front line. Accordingly, we have put branch profitability at the top of our agenda. Our new Banking Framework agreement provides us with an early opportunity to look again at transaction fees

Further upstream, and following lengthy discussions with our Shareholder, we now know our funding settlement from Government for the next three years. The core settlement includes a network subsidy of £50 million a year to partially offset the costs of the unprofitable parts of the network. There is also £185 million over the next three years for investment which will be directed at transforming our technology, as we moved away from Horizon.

Naturally, I would have liked a more generous settlement. However, I acknowledge that there are significant, competing, pressures on the public finances at present. Moreover, support can also take different forms and, with this in mind, I welcomed Government's willingness to consider a review of its Post Office policy to ensure that the network is fit for purpose in the years to come. Together, we need to think creatively and ambitiously

about the future direction of Post Office and secure it for another generation. That is a prize worth fighting for and I am hopeful that Government will take the idea forward.

I would like to conclude by thanking Tim Parker who stands down as Chairman of the Post Office Board in September after seven years of service. Under his guiding hand since 2015, our business has started an ambitious journey towards sustainability, fundamentally reset its relationship with Postmasters and continued to evolve to meet the needs of communities across the UK. My colleagues on the Board and I wish him the very best for the future.



Nick Read

Chief Executive Officer

17 August 2022

Financial and Business Review

Presentation of results for 2021/22

As disclosed in the consolidated income statement of the financial statements on page 74, we have split the results of the group of companies headed by Post Office Limited ("the Group", "Post Office") between continuing and discontinued operations due to disposal of the Telecoms business in the prior year. All results in the current year relate to continuing operations.



Overview

Post Office's trading profit increased by £7 million to £42 million (2021: £35 million) principally due to the easing of COVID-19 restrictions during the final quarter of the year. The prior year trading profit of £35 million included £5 million operating profit with respect to the Telecoms business, which was a discontinued operation in the prior year, as such the comparison of year on year trading profit for continuing operations represents a £12 million increase. The primary drivers for this increase were travel products such as travel money and insurance and increased banking volumes thanks to easing of lockdown restrictions and increased customer use of post offices for banking services. However, this was offset by mails trading which decreased compared to the prior year as restrictions around social distancing eased and our customers became less reliant on letter and parcel services to keep in touch. Despite the continuing impact of the COVID-19 pandemic, the Group achieved a sixth consecutive year of profitable trading. We have also maintained a positive cash and security headroom position throughout the year.

Trading profit, shown below, includes revenue and costs from the Telecoms business in the 2021 column, which was sold to Shell Energy Retail Limited on 15 March 2021. Refer to the discontinued operations note to the financial statements (note 21) on page 123 for further details.

	2022	2021	Variance	Variance
	£m	£m	£m	%
Revenue	834	957	(123)	(13)
Costs*	(796)	(918)	122	13
Other income	1	3	(2)	(67)
Share of profit/(loss) from joint venture	3	(7)	10	143
Trading profit**	42	35	7	20

* Excludes exceptional items, investments, depreciation and amortisation.

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

We recognised an overall statutory loss of £130 million (2021: £661 million restated), see table on the next page. This includes Historical Matters related costs of £84 million (2021: £610 million). The costs include legal and running costs of £13 million related to Overturned Historical Convictions ("OHC"), £36 million related to the Historical Shortfall Scheme ("HSS") and £12 million (2021: £nil) for the statutory inquiry, in addition to changes in the provision values for HSS, OHC and Postmaster Remediation ("PR") (see pages 13 to 15 for more explanation regarding Historical Matters). The loss is after charging £104 million (2021: £124 million from both continuing and discontinued operations) of depreciation and amortisation.

The prior year overall statutory loss, and other 2020/21 comparatives, have been restated after reassessment of the treatment pertaining funding by Government of the liabilities for Historical Matters. The reassessment concluded that a more appropriate treatment would be to recognise an asset only when the quantum for each specific claim settlement becomes virtually certain, given the current significant estimation uncertainty associated with settlement cashflows. As such, in 2021/22 application of this reassessment has resulted in the previously recognised asset of £64 million being derecognised and the prior year comparatives being restated. The impact of the restatements on the primary statements are outlined in note 26 to the financial statements.

	2022 £m	2021 £m	Variance £m
Revenue	834	957	(123)
Adjusted EBITDA: operating profit before depreciation, amortisation, exceptional items and investments (note 24)*	92	85	7
Trading profit: operating profit before depreciation, amortisation, exceptional items, investments and Network Subsidy Payment (note 24)*	42	35	7
Loss for the financial year**	(130)	(661)	531

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

** The loss for the 2021/22 financial year has been restated, see note 26 to the financial statements for more detail.

In 2019/20 the Group entered a net liability position for the first time since 2012, driven by the recognition of a £153 million provision for HSS. The net liabilities position worsened in 2020/21 with the recognition of two additional provisions: OHC of £502 million and PR of £59 million. The Group remains in a net liability position of £724 million (2021: £720 million restated).

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

Revenue

The Post Office business is organised into three strategic commercial pillars. Revenue from our subsidiary Post Office Management Services Limited ("POMS") is included within the Insurance line below. Revenue from our subsidiary Payzone Bill Payments Limited ("Payzone") is included within the Payment Services line below. The divisions and their performance are detailed on the following pages.

	2022 £m	2021 £m	Variance £m	Variance %
Revenue from Continuing Operations:				
Mails	356	397	(41)	(10)
Retail, Lottery & Gift Cards	34	34	-	-
Government Services	21	14	7	50
Mails, Retail & Government Services	411	445	(34)	(8)
Banking Services & ATMs	230	205	25	12
Transactional Financial Services	60	58	2	3
Payment Services	28	29	(1)	(3)
Post Office Card account ("POCa")	11	14	(3)	(21)
Banking, Payments & Transactional Services	329	306	23	8
Mortgages, Savings & Loans	27	13	14	108
Credit Cards	4	5	(1)	(20)
Insurance	39	24	15	63
Identity Services	12	10	2	20
Financial Services, Identity Services and Insurance	82	52	30	58
Other*	12	12	-	-
Total Revenue from Continuing Operations:	834	815	19	2
Revenue from Discontinued Operation:				
Telecoms**	-	142	(142)	(100)
Total Revenue	834	957	(123)	(13)

* Principally relates to Supply Chain income of £9 million (2021: £9 million) predominantly for warehousing of Royal Mail stock, transport of high value mails and release of Bank of Ireland deferred income of £2 million (2021: £2 million). The remaining £1 million (2021: £1 million) is made up of immaterial revenue balances.

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

Mails

Mails includes the sale of parcel labels, special delivery and home shopping returns along with other mails products provided by Royal Mail, Parcelforce, DPD and Amazon. Underlying mails trading decreased by £41 million to £356 million (2021: £397 million) with labels and "signed for" decreasing 6%. This volume drop was largely a result of fewer retail and travel restrictions operating in this financial year.

Retail, Lottery & Gift Cards

Revenue has remained flat to prior year, with Lottery decreasing £2 million to £26 million, offset by a £2 million increase in Gift Cards revenue.

Government Services

Government services relates to Home Office passport applications, DVLA services and UK Visas and Immigration residency permits. Revenue has increased by £7 million to £21 million (2021: £14 million) due to easing of international travel restrictions improving passport volumes from prior year, along with a greater requirement for UK visas post Brexit.

Banking Services & ATMs

Revenue has increased by £25 million to £230 million (2021: £205 million). Due to reduced volumes in the prior year, our fixed fee decreased by £5 million to £85 million (2021: £90 million). This was more than offset by growth in banking services deposits revenue which increased by £25 million to £90 million (2021: £65 million).

Transactional Financial Services

Our Transactional Financial Services products include travel money, MoneyGram and Postal Orders. Revenue increased by £2 million to £60 million (2021: £58 million), predominantly due to improved Travel Money sales as COVID-19 related travel restrictions eased throughout the year.

Payment Services

Payment Services includes bill payment transactions. During the year energy and resellers volumes have been affected by the energy crisis, warmer weather and changes to customers habits due to price cap changes, with revenue experiencing a slight reduction to £28 million (2021: £29 million) as a result.

POCa

Account numbers are declining as planned migration away from Post Office Card Account continues. As such revenue has decreased by £3 million to £11 million (2021: £14 million).

Mortgages, Savings & Loans

Revenue has increased by £14 million to £27 million (2021: £13 million) as a result of a higher incentive performance with Bank of Ireland. The incentive performance was a combination of factors including the contract addendum aligning interests with BOI on margin, low interest rate environment discouraging churn in savings and customer behaviour changes due to the pandemic.

Credit Cards

Revenue has decreased by £1 million to £4 million (2021: £5 million) with a tightening of credit policy having a slight impact on volumes.

Insurance

Post Office Management Services, subsidiary of Post Office Limited, provides Travel, Life and General Insurance policy cover. Insurance revenue has increased by £15 million to £39 million (2021: £24 million). The increase was driven mainly by Travel Insurance, which saw a £13 million improvement on prior year as the travel market began to recover with COVID-19 restrictions easing.

Identity Services

Identity predominantly relates to Verify services. Revenue is volume driven, boosted by HMRC's extension of the self-assessment tax return deadline. There is also a full year of YOTI revenue in the current year. Revenue in this area has increased by £2 million to £12 million (2021: £10 million). However, increased volumes incur higher associated Verify fees, hence there is little profit benefit.

Telecoms

Telecoms included Post Office HomePhone & Broadband and Fibre services. The business was sold to Shell Energy Retail Limited on 15 March 2021. There has been no trading in this financial year for Telecoms.

Joint venture

Post Office Limited has a joint venture with the Bank of Ireland with each party holding 50% of First Rate Exchange Services Holdings Limited ("FRESH"), whose principal activity is the supply of foreign currency exchange in the UK to the Post Office and others. FRESH's result has dramatically improved this year as travel restrictions imposed as result of the COVID-19 pandemic have been eased. As such, Post Office's share of operating profit from the joint venture was £3 million (2021: £7 million loss).

Costs

Trading costs decreased by £122 million to £796 million (2021: £918 million) predominantly from the sale of Telecoms. Postmaster remuneration decreased by £20 million to £392 million (2021: £412 million) as revenue shifts from higher remuneration generating products such as Mails to platform products which generate lower remuneration.

People costs increased by £1 million to £164 million (2021: £163 million) reflecting capability builds particularly in the IT space.

Average headcount reduced from 3,556 in 2020/21 to 3,415 in 2021/22 reflecting efficiency savings from operational effectiveness programmes. Closing headcount for the year was 3,380 (2021: 3,449).

Other trading costs, excluding Postmaster and people costs, have decreased by £106 million to £239 million, primarily driven by the disposal of the Telecoms business in 2020/21.

Exceptional items

Exceptional costs are significant, one off items which require disclosure on their own in the income statement due to their material size and nature. Exceptional costs of £90 million (2021: £626 million) were recognised in the year. This includes Historical Matters related costs of £84 million (2021: £610 million) and £6 million (2021: £7 million) in relation to other legal costs, in contrast to the prior year balance of £610 million which included initial recognition of the OHC provision (£502 million) in addition to legal and running costs for both schemes, offset by a small reduction in the HSS provision. The Historical Matters related costs are detailed in note 4 to the financial statements. No exceptional costs related to COVID-19 were incurred during the year (2021: £9 million), see COVID-19 section below for further details.

Historical Shortfall Scheme

As part of the settlement reached with the claimants in the Post Office Group Litigation in 2019, Post Office agreed to establish a remediation scheme open to Postmasters who had not participated in the Group Litigation but who had experienced similar issues relating to shortfalls indicated by previous versions of the Horizon system, known as the HSS. The agreement to establish this scheme in December 2019 was deemed to be a triggering event on which to recognise a provision.

The HSS launched on 1 May 2020 and officially closed for applications on 14 August 2020. As at 31 July 2022, the HSS had received 2,370 eligible applications from current and former Postmasters. Of these 87% are partly or wholly quantified.

A provision of £172 million (2021: £150 million) has been retained in respect of the HSS, with the increase being due to revisions to the estimated volume and value of claims to be settled, offset by payments made in year. This represents management's latest and best estimate of the potential future payments associated with the claims received. The provision requires a number of significant estimates and assumptions by management, with the level of estimation risk heightened as a result of the volume and range of claims received and the stage of the settlement process. As at 31 July 2022 1,729 settlement offers have been issued and of these 1,353 have been settled. The settled claims equate to c. 13% of the provision value due to the least complex claims having been settled first.

The HSS payments will be partially funded by Government, with Government having agreed in March 2021 to provide sufficient financial support to Post Office to ensure that the scheme can proceed. In 2020/21 an asset of £64 million was recognised in respect of the portion of the HSS provision to be funded by Government, based on estimates at that time. The difference between the provision and asset value would be funded by Post Office through its trading cashflows and cashflows from the sale of the Telecoms business. During 2021/22, the Directors reassessed the treatment pertaining to the funding by Government of the liabilities for Historical Matters which concluded that a more appropriate treatment would be to recognise an asset only when the quantum for each specific claim settlement becomes virtually certain, given the current significant estimation uncertainty associated with settlement cashflows. As such, in 2021/22 application of this reassessment resulted in the previously recognised asset being derecognised and the prior year comparatives being restated. See note 26 to the financial statements for further details.

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

Overtured Historical Convictions

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

Since the CCRC's announcement in March 2020, the Court of Appeal Criminal Division ("CACD") and the Southwark Crown Court have overturned 80 convictions prosecuted by the Post Office (together, "the Appeals"). As at 31 July 2022 the CCRC is understood to be reviewing a further 29 applications to refer convictions for appeal.

In accordance with its duties as a former prosecutor, Post Office has made or is seeking to offer post-conviction disclosure to 706 Postmasters who have historical convictions, prosecuted by Post Office, to enable them to decide whether they wish to appeal their convictions and is taking all reasonable steps to support other prosecuting bodies with regard to disclosure. Disclosure has to date been made for 287 Postmasters. It is not known how many additional Postmasters will seek to appeal their convictions in due course. Post Office is also liaising with other prosecution agencies to offer assistance in cases that were not prosecuted by Post Office but where evidence from Horizon may have been relied upon.

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

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

As such, a provision of £487 million (2021: £502 million) has been retained in respect of the Overturned Historical Convictions ("OHC"). This represents management's latest and best estimate of the potential future payments associated with civil claims which may be received, assessed across the whole population of potential claimants. The provision requires a number of significant estimates and assumptions by management, principally relating to the potential number of claimants and the potential settlement amounts. The level of estimation risk is increased as a result of the early stage of the proceedings. The reduction year on year is primarily driven by the interim payments made to those who have had convictions overturned and the impact of discounting the forecasted future cashflows, the impact of which is material at the balance sheet date due to the increase in the discount rate in year.

In December 2021 Government formally confirmed it will provide funding in respect of future payments arising as part of the OHC up to a maximum of £780 million. The funding will be recognised at the point of receipt. See the going concern section of note 1 to the financial statements for further details.

Postmaster Remediation

Historically, before March 2019, Postmasters did not receive remuneration during the period of any contract suspension. Post Office has subsequently changed this policy, resulting in Postmasters being remunerated during a period of suspension. In the year, a decision was taken by the Directors to provide redress to those Postmasters historically impacted. The means by which redress will be provided is still being determined. Liabilities arising from any future redress represent a probable obligation arising from past events.

A provision of £62 million (2021: £59 million) has been recognised, representing management's best estimate of potential future payments to be made to Postmasters for retrospective suspension remuneration. The provision requires a number of significant estimates and assumptions by management, with the level of estimation uncertainty increased as a result of the period of time for which the previous policy was in operation.

and because the means of any remediation is yet to be determined. The increase from the prior year relates to updated management estimates. Further details regarding the provision estimate can be found in note 1 to the financial statements.

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

Inquiry

Sir Wyn's public Inquiry into the Horizon IT scandal was placed onto a statutory footing and began its oral hearings in February 2022. Costs of £12 million (2020/21: £nil) have been incurred in relation to the inquiry.

COVID-19

As a result of the COVID-19 pandemic, additional one-off costs were incurred during the prior year amounting to £9 million, with the majority of costs related to ensuring our branch network complied with health and safety standards, as our Postmasters, where possible, kept branches open to serve their communities. Whilst no related exceptional costs were incurred during the year, the impact of COVID-19 on the Group remained material.

Other

The remaining exceptional costs relate to costs associated with defending an Employment Tribunal claim of £6 million (2021: £7 million), for which a contingent liability was disclosed in 2019/20. On 14 March 2022 Post Office successfully defended the Employment Tribunal on all counts, resulting in the likelihood of a possible obligation arising from past events in relation to this matter being considered remote. As such, no contingent liability was disclosed in the 2020/21 financial statements and this remains the case in 2021/22.

Investments and capital spend

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

	2022 £m	2021 £m
Investment funding	-	-
Restructuring:		
Business transformation	(6)	(6)
Network programmes	(9)	5
IT transformation	(11)	(12)
Severance	(2)	(16)
Total restructuring costs	(28)	(29)
Impairment	-	(8)
Discontinued operation*	-	(6)
Total investment charge	(28)	(43)

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

No investment funding was received from the Department for Business, Energy and Industrial Strategy ("BEIS") for transformation activities in 2021/22 (2021: £nil). Alternative funding, totalling £177 million was provided by BEIS in 2021/22 in the form of a £52 million loan and share purchases totalling £125 million, see notes 15 and 19 to the financial statements for details.

Total restructuring costs excluding discontinued operations decreased slightly from £29 million to £28 million, with the majority of spend being in relation to ongoing programmes to transform IT infrastructure and the branch network, driving Post Office toward commercial sustainability.

In addition, we have incurred £73 million (2021: £53 million) of capital spend, which includes right-of-use assets, primarily on IT transformation projects, as disclosed in notes 9 and 10 to the financial statements.

Total Loss

The overall result for the year was a loss after tax of £130 million (2021: £661 million restated, from continuing operations and discontinued operations results combined). The year on year movement is primarily due to the initial recognition of the OHC provision in 2020/21.

Full results are set out on page 74 and further commentary on key aspects are outlined below.

Net liabilities

The Group ended the year with net liabilities of £724 million (2021: £720 million restated). The movement was driven by the loss incurred for the year. The impact of being in a net liabilities position has been assessed and considered as part of the going concern review in note 1 to the financial statements.

Cash flow

Cash and cash equivalents amounted to £367 million (2021: £365 million) at the year-end. There was a net cash inflow during the year of £2 million (2021: £97 million outflow).

Operating activities resulted in a net cash outflow of £10 million (2021: inflow of £66 million) which was driven primarily by working capital movements offset by restructuring and other exceptional costs incurred during the year.

Post Office Limited seeks to minimise the amount drawn down on the loan from BEIS in order to reduce its interest cost. The facility is limited to a maximum of £950 million, the unused facility at the end of the year was £621 million (2021: £524 million). The maximum drawn down under the facility during the year was £491 million in February 2022.

A covenant, known as security headroom, exists within the facility. This covenant is in place to ensure there is sufficient collateral in the form of cash and other assets to cover the borrowings under the facility. At year-end headroom sat at £253 million (2021: £157 million), the increase driven by BEIS funding received during the year. No breaches in headroom occurred in the year.

The facility was renewed in 2021, with a 3-year term to 31 March 2024 being agreed. In July 2022 this agreement was extended to 31 March 2025. This renewed facility is available at one day's notice.

Post Office Limited's borrowing facility from Government limits the purposes for which the facility can be used and, together with borrowing limits contained in the Articles of Association, imposes constraints on the availability of external borrowing.

The Bank of England Note Circulation Scheme

The continued participation in the Note Circulation Scheme ("NCS") assures that Post Office Limited has an adequate supply of banknotes to meet customer demand across its network and provides a mechanism which enables Post Office Limited to hold Bank of England owned notes. At the end of the year £322 million (2021: £240 million) of Bank of England owned notes were held. See note 23 to the financial statements for further details on the NCS.

Pensions

Post Office Limited is the principal employer of the Post Office Section of the Royal Mail Pension Plan ("RMPP"), which is independent of the Royal Mail section of the RMPP. Royal Mail Group Limited is the principal employer of the Royal Mail Senior Executives Pension Plan ("RMSEPP") and Post Office Limited is a participating employer within RMSEPP. RMPP and RMSEPP are both defined benefit plans. Both defined benefit plans are

closed to new members and closed to future accrual. The history of these schemes can be found in note 18 to the financial statements. Post Office operates a defined contribution scheme – the Post Office Pension Plan.

The deficit payments into RMSEPP were historically agreed with the pension trustees and payments were made in accordance with the agreements. The income statement charge for the year in relation to the defined benefit schemes was £1 million (2021: £2 million).

The income statement charge for the year in relation to the defined contribution scheme was £13 million (2021: £11 million). Net cash payments made in 2021/22 relating to regular pension contributions amounted to £12 million (2021: £18 million). Further detail on Post Office's pension schemes can be found in note 18 to the financial statements.

Section 172(1) Statement

The disclosure of the S172 statement is included within the Governance section on pages 29 and 30.



Alisdair Cameron

Group Chief Finance Officer

17 August 2022

Governance

Corporate Governance

Legal Ownership and Structure

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

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

The Shareholder Relationship Framework Document effective from 1 April 2020 describes certain parameters within which the Company is expected to operate, certain obligations with which the Company is expected to comply, and certain aspects of the relationship between BEIS, the Shareholder's Representative (UKGI) and the Company, and how it is expected that these parties will interact with each other.

Corporate Governance Overview 2021/22

The Company maintains standards of corporate governance appropriate for its ownership structure, commitment to social purpose, and strategy to achieve commercial sustainability. Corporate governance arrangements are reviewed to ensure they remain appropriate for developing business needs and as against relevant legal and regulatory advances. The Company is not listed, however it takes into consideration the requirements of the 2018 UK Corporate Governance Code ("UKCGC") and the Corporate Governance Code for Central Government Departments, where these are relevant to the Company as a private limited company with a Government owner. Departures from these Codes are either where provisions do not apply to the Company because it is not listed nor is it a central Government department or an arms' length body, or where the Codes do not sensibly apply to it, for example the annual re-election of Directors, whose appointments are approved by the Shareholder. In addition, the Non-Executive Director (Tom Cooper) who is the Shareholder Representative, serves as a member of the Audit, Risk and Compliance Committee and the Remuneration Committee, but is not an independent Non-Executive Director. As the Company has a single shareholder, the involvement of the Shareholder Representative on the Board and its Committees is seen as important to the provision of assurance to the Shareholder and therefore the Company has elected not to comply with provisions 24 and 32 of the UKCGC which stipulate that only independent Non-Executive Directors should be members of the Audit, Risk and Compliance and Remuneration Committees respectively.

Board of Directors

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

During 2021/22 the Board comprised a Non-Executive Chairman, the Group Chief Executive Officer, the Group Chief Finance Officer, the Shareholder appointed Non-Executive Director five independent Non-Executive Directors (one of whom is designated the Senior Independent Director) and two Postmaster Non-Executive Directors. Non-Executive Directors are not employees of the Company however provide services under the terms of an individual letter of appointment, signed at the commencement of their directorship. Saf Ismail and

Elliot Jacobs, two serving Postmasters, joined the Board on 3 June 2021. Ben Tidswell joined the Board on 27 July 2021 and Brian Gaunt joined the Board on 25 January 2022. Ken McCall stepped down from the Board on 25 January 2022 having served two terms as a Non-Executive Director and as the Senior Independent Director. Board members during the year ended 27 March 2022 and up to the point of signing are shown below.



Tim Parker

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

Joined the Board 1 October 2015



Ken McCall

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

Joined the Board 21 January 2016

Stood down from the Board 25 January 2022



Tom Cooper

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

Joined the Board 27 March 2018



Carla Stent

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

Joined the Board 21 January 2016



Zarin Patel

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

Joined the Board 26 November 2019



Lisa Harrington

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

Joined the Board 8 April 2020



Saf Ismail

Non-Executive Director and Postmaster
Joined the Board 3 June 2021



Elliot Jacobs

Non-Executive Director and Postmaster
Joined the Board 3 June 2021



Ben Tidswell

Non-Executive Director and Chair of the Historical Remediation Committee and member of the Remuneration Committee (from 30 November 2021).

Joined the Board 27 July 2021



Brian Gaunt

Non-Executive Director

Joined the Board on 25 January 2022



Nick Read

Group Chief Executive Officer

Joined the Board 16 September 2019



Alisdair Cameron

Group Chief Finance Officer

Joined the Board 28 January 2015



Veronica Branton

Company Secretary

Appointed as Company Secretary 26 July 2019 and left Post Office on 9 March 2022



Rachel Scarrabelotti

Interim Company Secretary

Appointed as Company Secretary 12 April 2022

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

Board

Role and responsibilities

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

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

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

In setting the risk appetite for the Company the Board has established a framework to manage and mitigate risk. The Board takes guidance from its Audit, Risk and Compliance Committee, and has oversight of risk management. The Audit, Risk and Compliance Committee receives reports from the Compliance Director, the Head of Internal Audit and Risk, and the Legal Director as well as from operational management and the External Auditors. Further detailed information on the Management of Risk within the Company, together with identification of enterprise risks and their impacts can be found in the Management of Risk section on pages 53 to 57.

Key focus and developments in 2021/22

During the year to 27 March 2022, the Board continued to oversee the Company's strategic plan to remediate the past, build a stronger relationship with Postmasters, and be a commercially focussed business with a strong social purpose. The Board's vision for 2025 has been defined which involves strengthening our partnership with Postmasters, evolving the network to make it commercially sustainable, continuing to grow our role in Mails and Banking supported by additional services, and building an IT platform that is fit for the future.

Throughout the 2021/22 financial year, the impact of the COVID-19 pandemic remained and the Board oversaw the Company's response through two workstreams: one focusing on protecting the work force and Postmasters, serving elderly and vulnerable customers, keeping branches open and the supply chain moving and the other on the longer-term aim of ensuring the Company's future resilience. Regular updates on the response to the COVID-19 pandemic were provided to the Board during the year. The Board monitored the trading position carefully throughout the year, received advice where appropriate, received updates on discussions with major creditors and sought and received waivers in relation to branch network numbers from the Shareholder during the year. The 2021/22 plan was approved by Board in May 2020. This included specific Mails and Travel related stretch items which were subsequently removed in agreement with the Board. At year-end trading profit of £42 million was achieved. A funding settlement with BEIS for the three financial years within the period 2022/23 – 2024/25 was agreed with the Shareholder and approved by the Board in April 2022.

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

Work continued during the year to move the Company's IT system from data centres to a new cloud-based system, on an incremental basis, with Board approved funding for this.

The Board approved the 2020/21 Network Report in January 2022; this confirmed compliance with the Entrustment Letter and Funding Agreement for provision of the agreed access criteria, such as the number of Post Office branches, as at March 2021. The Board approved the Company's Group Risk Policy in March 2022.

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

In March 2020 the Criminal Cases Review Commission ("CCRC") referred the first cases prosecuted by Post Office Limited to the Court of Appeal Criminal Division ("CACD") for appeal. Where Post Office Limited was the prosecutor, it has a duty to respond to each appeal setting out its stance on them. The Board reviewed all the appeals and supported the overturning of those cases where it recognised and accepted that the individuals could not have received a fair trial. On 23 April 2021 the CACD delivered a judgment allowing 39 appeals and dismissing 3, concluding that Post Office Limited's failures to investigate and disclose problems with or concerns about Horizon were so egregious as to make the prosecution of any "Horizon case" an affront to the conscience of the court. Post Office Limited apologised to all those whose convictions are overturned, and recognises that many individuals had been fighting for justice for a considerable length of time and not all had lived to see their convictions quashed. Post Office Limited continues to respond to appeals by applying the CACD's guidance. As at 31 July 2022, 81 convictions have been set aside, 42 convictions have been upheld or had unsuccessful appeals, 1 further appeal is being considered and the CCRC is reviewing a further 29 applications to refer convictions for appeal. Further details can be found in the disclosures surrounding Overturned Historical Convictions on page 14.

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

Extensive programmes of work were undertaken during the year and have continued into the 2022/23 financial year to make sure that Post Office Limited not only complies with the findings of the Common Issues Judgment ("CIJ") and Horizon Issues Judgment ("HIJ"), but goes beyond these, to develop a successful modern franchise that runs in partnership with Postmasters and other partners. This entails cultural change, not just changes to systems and processes. The Board made a number of decisions to support this change with a particular focus on Postmaster engagement and support, including:

- Saf Ismail and Elliot Jacobs, two serving Postmasters, joined the Board in June 2021 following an independent appointment process, with the Postmaster community voting for the shortlisted candidates;
- Reviewing and amending a suite of policies specific to Postmasters and introducing a number of new Postmaster policies along with a Postmaster Guide to the policies;
- Workshops being run to help all employees understand what is involved in running a Post Office;
- Senior leaders are involved in the 'Adopt an Area' initiative where each leader visits branches with the Area Manager each quarter, building knowledge, understanding and empathy which in turn inform decision making. The visits allow senior leaders to receive direct feedback from Postmasters. This information is then collated centrally to provide further insight along with an opportunity to observe key themes, issues and concerns;
- A virtual Postmaster Conference was held in April 2021 along with a number of subsequent regional events;
- A Postmaster Director has been appointed to help embed engagement with Postmasters;
- In Branch Christmas period support by back-office staff resumed, helping back-office staff to appreciate the demands of running a Post Office, and to provide additional resource during this peak trading period.

Conflicts of Interest and Independence

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

At all times during the periods of their appointments in 2021/22, the independent Non-Executive Directors met the criteria for independence set by the Board.

The Company has arranged appropriate insurance cover in respect of legal action against Directors of the Company and its subsidiaries.

Tim Parker, Chairman of the Board of the Company was independent on appointment. Ken McCall, Carla Stent, Zarin Patel, Lisa Harrington, Ben Tidswell and Brian Gaunt are considered independent Non-Executive Directors. Tom Cooper is not an independent Non-Executive Director as he is a shareholder representative. Nick Read and Alisdair Cameron held executive roles throughout the financial year, and as such were not independent Directors. Saf Ismail and Elliot Jacobs as serving Postmasters are not independent Non-Executive Directors.

Board Meetings

During 2021/22 the Board met 33 times (including additional meetings held either in person or virtually). A record of Directors' attendance (attended/eligible to attend) at the Board and its Committees is set out in the table below:

Director	Board	Board (Additional)	Audit, Risk & Compliance Committee	Nominations Committee	Remuneration Committee	Historical Remediation Committee (Note 1)
Chairman						
Tim Parker	9/9	22/24	-	2/2	6/6	-
Executive Directors						
Nick Read	9/9	19/24	-	-	-	-
Alisdair Cameron	9/9	20/24	-	-	-	-
Non-Executive Directors						
Ken McCall (Senior Independent Director resigned 25 January 2022)	7/8	18/22	5/6	2/2	4/4	-
Tom Cooper (Note 2)	9/9	23/24	8/8	2/2	6/6	21/21
Lisa Harrington	9/9	15/24	-	2/2	6/6	-
Zarin Patel (Senior Independent Director From 26 January 2022)	8/9	22/24	8/8	-	-	20/21
Carla Stent	9/9	19/24	8/8	-	-	-
Saf Ismail (Note 3)	9/9	13/17	-	-	-	-
Elliot Jacobs (Note 4)	9/9	12/17	-	-	-	-
Ben Tidswell (Note 5)	8/8	10/10	-	-	2/2	21/21
Brian Gaunt (Note 6)	2/2	2/2	-	-	-	-

Note 1: The Historical Remediation Committee first met on 26 August 2021.

Note 2: Tom Cooper was appointed as a member of the Nominations Committee on 30 March 2021.

Note 3: Saf Ismail joined the Board on 3 June 2021.

Note 4: Elliott Jacobs joined the Board on 3 June 2021.

Note 5: Ben Tidswell joined the Board on 27 July 2021.

Note 6: Brian Gaunt joined the Board on 25 January 2022.

Committees

To assist in the execution of its corporate governance responsibilities, the Board has established four committees which deal with specific topics requiring independent oversight. The Audit, Risk and Compliance; Nominations; Remuneration; and Historical Remediation Committees are each chaired by an independent Non-Executive Director.

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

Terms of Reference for the committees established in line with the requirements of the UKCGC are available on the Company's website.

Nominations Committee

Role and Membership

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

The Committee is chaired by Tim Parker, Chairman. The other members during the year were Ken McCall, Senior Independent Director, Lisa Harrington, Non-Executive Director, and Tom Cooper, Non-Executive Director, who was appointed to the Committee on 30 March 2021. Ken McCall stepped down as a member of the Board and consequently the Committee on 25 January 2022.

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

Work of the Committee in 2021/22

During the year the Committee considered the recommendations from the 2021/22 annual Board and Committee review and reviewed progress in implementing these in November 2021 following which a number of additional Board briefing sessions were scheduled.

Succession planning requirements for the Board were considered during the 2021/22 period and the appointment process and role description for two new Non-Executive Directors were approved for submission to the Shareholder. Additionally the Nominations Committee considered the appointment of the Senior Independent Director and the composition of the Nominations Committee, Remuneration Committee and the Audit, Risk, and Compliance Committee ahead of Ken McCall stepping down in January 2022.

Green Park were engaged as an external search consultancy to assist with the recruitment process for the two new Non-Executive Directors. Green Park is not otherwise connected with the Company nor with any individual directors. Gatenby Sanderson were engaged as an external search consultancy to assist the Shareholder with the recruitment process for the new Chair of the Board. Gatenby Sanderson is not otherwise connected with the Company nor with any individual directors.

Succession planning requirements for the Company's subsidiaries were considered during the 2021/ 22 period also, with the Committee approving the process for the appointment of a Non-Executive Director on the Post Office Management Services Board.

Succession planning at the Senior Management level was considered by the Committee during the 2021/22 period, with the focus on defining and recruiting for critical roles, building a diverse succession pipeline, and having the correct workforce capabilities needed to address historic issues, achieve current business imperatives, and to retain relevance for the future.

The Committee approved a number of appointments to the Group Executive. The annual review of terms of reference was carried out in February 2022.

Remuneration Committee

Role and Membership

The duties and responsibilities of the Remuneration Committee are included in the Terms of Reference which are available on the Company's website.

The Committee was chaired by Ken McCall, Senior Independent Director, until Ken McCall stepped down on 25 January 2022. The other members of the Committee up until this time were Tom Cooper, Non-Executive Director, Tim Parker, Chairman of the Board of Directors of Post Office Limited and Lisa Harrington, Non-Executive Director. Lisa Harrington became Chair of the Committee on 26 January 2022. The other members of the Committee after this time were Tom Cooper, Non-Executive Director and Tim Parker, Chairman of the Board of Directors of the Company. Ben Tidswell, Non-Executive Director joined the Committee on 30 November 2021.

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

Work of the Committee in 2021/22

During the year the Committee approved the calculation methodology for the 2021/22 STIP and the 2021-24 LTIP.

The Committee previously decided that an STIP scheme would not be launched in 2020/21 or an LTIP scheme for 2020-23 given the trading uncertainties and consequent difficulties in setting budget assumptions, however a Transformation Scheme covering the period from April 2020 to January 2022 was approved by the Committee in July 2021 and subsequently launched.

The Committee discussed and approved the Directors' Remuneration Report for the 2020/21 Annual Report and Accounts.

Willis Towers Watson were appointed as remuneration advisers to the Committee in September 2020 and remain as the remuneration advisers to the Committee. Willis Towers Watson are not otherwise connected with the Company nor with any individual directors.

The Committee approved remuneration packages for a number of members of the Group Executive. Non-Executive Director fees for 2022/23 were noted, with no changes proposed.

The annual review of terms of reference was carried out in February 2022.

Audit, Risk and Compliance Committee

Role and Membership

The duties and responsibilities of the Audit, Risk and Compliance Committee are included in the Terms of Reference which are available on the Company's website.

The Committee is chaired by Carla Stent, Non-Executive Director. Other members during the year were Ken McCall, Senior Independent Director, until Ken McCall stepped down on 25 January 2022, Tom Cooper, Non-Executive Director, and Zarin Patel, Non-Executive Director.

The Board considers that the Committee's members have broad commercial knowledge and extensive business

leadership experience, in addition to which Carla Stent, Tom Cooper and Zarin Patel are qualified chartered accountants, which it believes constitutes an appropriate mix of business and financial experience and expertise.

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

The Audit, Risk and Compliance Committee members held separate meetings with the Head of Internal Audit and Risk, co-source internal auditors Deloitte, and with the external auditors without management present during the year. The Committee assesses the independence and effectiveness of the external auditor, currently PricewaterhouseCoopers LLP, routinely as part of the committee's governance reviews. The external auditor has been in place since 2019 following a tender exercise.

Further detailed information on the management of risk within Post Office Limited can be found in the Management of Risk section on pages 53 to 57.

Work of the Committee in 2021/22

The 2021/22 internal audit programme provided for significant focus on Postmaster processes and the Postmaster agenda. The following Postmaster-focused audits were approved by the ARC in March 2021 and were all delivered during the financial year:

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

In March 2022, the ARC approved the internal audit programme for 2022/23, which included the following Postmaster focused reviews (delivery of the audit programme was on track at the time of writing this report):

- One review to assess progress with the Post-GLO improvement programme overseen by the IDG.
- Three reviews to assess the effectiveness of Postmaster processes
- Historical Matters Unit (Compensation for overturned historic convictions).
- Two reviews of the Strategic Platform Modernisation ("SPM") programme.

In the lead up to signing the 2020/21 Annual Report and Accounts ("ARA"), the Committee maintained oversight over critical accounting estimates and judgements, as well as considering the principal and strategic risks, going concern assumptions and provisions for the HSS, OHC and PR. The ARA 2020/21 was recommended to the Board for approval to sign following an additional meeting of the Committee on 21 April 2022.

The Committee approved the annual Audit Plan 2021/22 for the internal and external auditors and approved the Internal Audit Charter.

During the course of the year the Committee reviewed and approved the following policies: Co-operation with Law Enforcement Agencies and Addressing Suspected Criminal Misconduct Policy (for recommendation to the Board); Whistleblowing Policy; Financial Crime Policy; Anti-Money Laundering and Counter Terrorist Funding Policy; Business Continuity Policy (for recommendation to the Board); Procurement Policy; HMRC Fit and Proper Policy; Business Change Management Policy; Conflicts of Interest Policy; Protecting Personal Data Policy; Cyber and Information Security Policy; Employee Vetting Requirements Policy; Postmaster Onboarding, Postmaster Training, Postmaster Complaint Handling, Network Monitoring and Audit Support, Network Cash and Stock Management, Network Transaction Corrections, Postmaster Account Support, Postmaster Accounting Dispute Resolution, Postmaster Contract Performance, Postmaster Contract Suspension, Postmaster Contract Termination, Postmaster Decision Review (replacement for Postmaster Termination Decision Review) Health & Safety Policy, Treasury (for recommendation to the Board), and Group Risk Policy (for recommendation to the Board).

The Modern Slavery Act Transparency Statement was approved (as required on an annual basis) for recommendation to the Board.

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

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

A Deep Dive on Dangerous Goods was undertaken in March 2021, and an IT Controls Deep Dive was conducted in November 2021 along with a Data Protection Deep Dive in March 2022. Cyber Security Updates were provided to the Committee in July 2021 and January 2022.

The Committee approved the renewal of the Insurance Policies for the period 1 November 2021 to 31 October 2022.

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

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

Historical Remediation Committee

Role and Membership

The Historical Remediation Committee ("HRC") first met on 26 August 2021. The duties and responsibilities of the Historical Remediation Committee are included in the Historical Remediation Committee's Terms of Reference,

The Committee is chaired by Ben Tidswell, Legal Non-Executive Director. The other members during the year were Zarin Patel, Senior Independent Director, and Tom Cooper, Non-Executive Director.

The Group General Counsel, the Group Chief Financial Officer, external counsel to the Company and representatives of the Shareholder also attend meetings at the invitation of the Committee Chairman.

Work of the Committee in 2021/22

The Committee oversaw the administration of the Historical Shortfall Scheme ("HSS"), considering the principles that underpin how HSS claims are assessed for the consideration of the HSS Independent Advisory Panel ("IAP"), considering claim outcomes recommended by the IAP (including those recommending offers of financial compensation), recommending to the Board decisions on precedent setting matters, and considering any other matters escalated in relation to the operation of HSS for decision, ensuring at all times that offers received by postmasters are fair and consistent and are issued as swiftly as possible. HRC also agreed in 2022 to delegate exceptional or precedent setting specific claim outcomes to a sub-committee of HRC (Sub-Group: Review of Exceptional Criteria IAP) with HRC retaining controlling oversight and approval.

The Committee also oversaw the administration of the Stamps Scheme, and decided, in accordance with decision making tools approved by the Board, the Company's stance on appeals to the Court of Appeal (Criminal Division), Scottish Court of Appeal and Crown Court of convictions where Post Office acted as prosecutor.

In addition, the Committee oversaw the management of claims for compensation made against the Company by those who have had convictions overturned, and oversaw the implementation of measures to enable conformance with the Post Office Group Litigation Common Issues and Horizon Issues judgments and resolved any other outstanding Group Litigation issues. Additionally, the Committee provided oversight and agreement of responses to the ongoing BEIS Select Committee and Post Office Horizon IT Inquiry information requests, and considered changes to the scope and extent of the HSS in response to this external oversight and challenge.

The Committee made a decision to provide redress to Postmasters impacted by historical policies regarding remuneration during any contract of suspension. The means by which redress will be provided continues to be a key focus of the HRC on behalf of the Board. The Committee is overseeing the ongoing reviews into historical operational processes to assess if any may have led to some Postmasters being financially impacted.

The Committee also oversaw the processes in place for the management and challenge of litigation costs across all workstreams and that sufficient resources were in place to support the management team and enable effective delivery.

In all matters considered by the Committee, the Committee took an approach which is transparent, promotes fairness for appellants and claimants overall, while representing Value for Money for taxpayers' money and safeguarding the reputation of Post Office Limited

Board and Committee Effectiveness Review

Post Office Limited undertakes an annual review of its Board and Committees and the Senior Independent Director facilitates a discussion on the Chairman's performance. An externally facilitated review typically takes place every third year. The Board review for 2021/22 was facilitated internally, an external evaluation having been conducted in 2020/21.

The internal review involved questionnaires issued to Board and Committee Members, as well as a small pool of executives who interact regularly with the Board and Committees. The results of the questionnaires were presented to the Board on 29 March 2022. The primary aim of the review was to provide suggestions for how the Board and its committees could further develop their effectiveness in the future. The report highlighted a number of current Board strengths including:

- respondents had a high degree of confidence in how the Board is chaired, the commitment of the directors and the skills and composition of the Board;
- time had been focused on Postmaster engagement, organisation culture and succession planning;
- new board members had added expertise in mails, IT, legal and retail; and
- the Postmaster Non-Executive Directors had brought a welcome perspective to discussions and decision-making.

The report noted the Board's focus during the year on historical matters. The main suggestions from the report related to focus and balance, particularly the need to continue to work on Postmaster engagement, organisation culture, succession planning, and to focus on customers and employees. As it moves forward, the Board needs to:

- determine where it plans to spend its time given the competing demands of historical matters, business as usual and strategy;
- consider and determine how it will address succession challenges to manage the succession of Board members coming to the end of their terms, and also how best to integrate new members joining the Board; and
- continue to hold private sessions of the Non-Executive Directors without the executives.

In March 2022 the Board discussed the report's recommendations and adopted these. An implementation plan in respect of the recommendations will be reviewed during the year. Presently the Board is provided with a Forward Planner in each Board pack to sight proposed agenda items, and care is given to allocating sufficient Board time to allow consideration of strategy and historical matters, whilst allowing adequate time for business as usual periodic updates and approvals. In relation to succession planning, the Board receives regular updates from the Chair of the Nominations Committee as to the work of the Nominations Committee in this area, and are provided with an opportunity to contribute their thoughts. Bi-annual Board wide discussions on Board succession are planned. The Non-Executive Directors routinely hold private Non-Executive Director sessions without executives present.

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

S172(1) Statement

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

The Board of Directors has sought to pay regard to its key stakeholders and to promote the long-term success of the Company when taking decisions, as required under s172(1) of the Companies Act 2006. The Company is owned by Government and strives to be commercially sustainable while delivering a social purpose. It seeks to do this formally through meeting a number of measures agreed with the Shareholder, including delivering a convenient and trusted local service, including working closely with Postmasters: ensuring services continue to be easily accessible, particularly to vulnerable groups: and supporting the Government's access to cash and financial inclusion agenda.

The Shareholder has appointed a Non-Executive Director as the Shareholder Representative on the Board. The Chairman and CEO meet regularly with the Minister who has responsibility for the Post Office and with senior officials at BEIS and UKGI. The Senior Independent Directors during the reporting period were also the designated Non-Executive Directors for employee engagement.

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

No employees were furloughed during 2021/22 due to the COVID-19 pandemic and those who needed to shield and could not work from home received full pay. Colleagues' views were sought through surveys at regular intervals and feedback factored into decisions taken on matters such as the provision of office space for those for whom working from home was very difficult, and on the best approach to returning to some measure of office working. Additional prominence was given to well-being with access to a number of means of support and the continuation of an "empower hour" to promote taking a break from screen-based meetings during the day.

The branch visits that normally take place during the year to meet Postmasters and our multiple partners remained disrupted during 2021/22 but members of the Group Executive, including the CEO and CFO, continued to make branch visits, where permitted, under the rules on avoiding unnecessary travel. A fuller programme of engagement with partners and employees was undertaken by Board Directors in 2021/22 as restrictions gradually eased.

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

The Board took a number of significant decisions during the year which were driven by the imperative of addressing Post Office Limited's historical issues and the positive ambition to create a modern franchise in partnership with Postmasters and our multiple partners. There is recognition that there needs to be the right culture as well as the right processes and support. This provided the context for the Board's commitment to

strengthening engagement with Postmasters further and making sure that Post Office is Postmaster and customer focused. As well as strengthening engagement with Postmasters generally through continued area manager visits, the Board also appointed Saf Ismail and Elliot Jacobs, who are Postmasters, to the Board of Directors in June 2021. Access to help and support, on-boarding, training and materials for Postmasters have been revised to make them better, clearer and simpler and this work will continue with more information and resources being added to BranchHub and improvements being made to the Support Centre. In addition, a Postmaster Director was appointed to help embed engagement with Postmasters.

Remuneration Committee Chair's Statement

I am pleased to present my first Remuneration Committee Chair's statement following my appointment as Chair of the Remuneration Committee ("the Committee") in January 2022.

The role of the Committee is to determine the remuneration and performance-related incentive schemes of the Executive Management team at Post Office. We do so in line with the Directors' Remuneration Framework agreed with our Government shareholder. This is an exercise which must balance the requirements of fairness and value for money with the need to attract, retain and motivate senior leaders in an increasingly competitive market.

In 2021/22, we had a number of priorities:

- to strengthen the quality of our governance and oversight arrangements;
- to maintain rigorous control over reward spend so that our decisions are impactful for individuals while representing value for money;
- to reward behaviours alongside outcomes; and
- to reflect external developments in setting our strategic approach for 2022/23 which will see us link reward to our Environmental, Societal and Governance ("ESG") responsibilities for the first time.

From this list, I place particular emphasis on our determination to use reward increasingly as a means to drive behaviours in the organisation which are consistent with our purpose, strategy and our values. Similarly, I have been keen to ensure that our reward principles, and the reward framework we have developed for the next financial year, link to our ESG performance for the first time. On both counts, given the central and privileged role we play in communities across the country, we should expect our leaders and our business more generally to demonstrate the highest levels of propriety, respect and integrity in all that they do.

It is clear that our approach to reward at this level (comprising base pay, incentive schemes, pension contributions, and other benefits) must reflect the interests of an unusually wide set of stakeholders.

This is entirely understandable in the context of any publicly-owned business, let alone one with the unique characteristics of the Post Office. Our scale and reach, our role in delivering essential services in communities across the United Kingdom, and our franchise-like operating model with Postmasters and their assistants on the front line, all combine to create a complex matrix of stakeholder interests and a commensurately pronounced degree of scrutiny.

This was heightened yet further by the COVID-19 pandemic and its lockdowns which brought the value of our network and particularly those who work within it into sharp relief. Regrettably, but quite rightly, the historic failings of the business in the Horizon scandal have also placed our business under the spotlight as never before.

Against that backdrop, this was a challenging year for Post Office. The pandemic continued to disrupt consumer behaviour which made for an unpredictable and unforgiving trading environment. Having a diversified product portfolio enabled us to weather the storm better than many. The ongoing priority to remedy legacy issues in full, and to transform our relationship with, and service to, Postmasters continued at pace. A public sector pay freeze was introduced by Government which further conditioned our work.

The Committee concluded that, in these circumstances, it would be inappropriate to make any changes to the fixed element of reward in the year. Accordingly, no changes were made to the base salary of the CEO and CFO, nor to the fees for Non-Executive Directors. The Committee was, however, pleased to be able to resume incentive payments after a fallow year with relevant targets being met despite tough trading conditions and significant progress being made in building a new, supportive, relationship with Postmasters. These performance-related incentive schemes are an important element in securing and retaining the organisational capability we need to deliver commercially, to fund further investment and to engineer the ongoing cultural shift we need to place Postmasters at the heart of everything we do.

We exercised our discretion over one element of the short term incentive scheme relating to Postmaster Engagement. The targets were intentionally set to be extremely stretching to signal the urgency of the work to be done in building a true partnership with Postmasters, as we seek to help them to run their businesses more

efficiently and more profitably. While the target here may not have been met in full, the Committee concluded that the outcomes achieved constitute very significant and, critically, sustainable progress in a very short period and that this should be recognised.

Meeting our financial targets in 2021/22 was not easy. Trading profit recovered and the company maintained liquidity in the face of strong headwinds. The work underway to improve both our culture and our support to Postmasters is beginning to bear fruit. We look forward to continuing to work with Nick Read and his team in the year ahead, with reward providing the right balance of incentive and recognition for colleagues working hard to build a successful, sustainable and responsible business for the future.

In closing, I should like to welcome Ben Tidswell as a new member of the Committee. I have no doubt that his blend of legal and commercial experience will bring fresh insight and further rigour to our work. I also wish to thank my fellow Committee members for their challenge, commitment and engagement throughout the year, as well as colleagues at UKGI and BEIS for their support.

Directors' Remuneration Policy

Summary of Remuneration Policy

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

The Post Office remuneration strategy is based on the following:

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

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

How Directors' Remuneration Policy aligns with the Code provisions

Clarity	We are committed to transparency in the disclosure of pay. This report provides a comprehensive account of the Committee's objectives and decisions over the year. We also maintain an extensive and continuous dialogue with the Shareholder on all matters related to the remuneration of our Executive Directors.
Simplicity	We aim for simplicity in the structure of remuneration and how it is communicated so that it is easy to understand for both participants and external stakeholders.
Risk	Executive Directors are subject to malus and clawback in the STIP and LTIP. This provides for the reduction or return of all or part of bonus payments in the event of misstatement of the accounts, error, gross misconduct, or instances where the Executive Director has contributed to serious reputational damage of the company, a material corporate failure or some other exceptional event. Additionally, the Committee has the absolute discretion to make adjustments, including a downward adjustment, to any bonus payment due under any scheme if it considers such adjustment to be appropriate having taken into account all relevant factors.
Predictability	As Post Office is not able to pay in shares, there is no risk of excessive gains within our incentives. The upside of incentives is capped to avoid any "windfall gains." The range of possible values of rewards to individual Executive Directors is set out in the scenario charts on page 35.
Proportionality	A meaningful portion of an Executive Director's overall total reward is linked to performance. The potential upside is in line with conservative market practice and is capped.
Alignment to Culture	Our remuneration framework includes a consideration of how individuals have demonstrated our Ways of Working. These Ways of Working are critical to our cultural transformation and underpin how we operate as a business: "working in partnership as one team"

Executive Directors: Key elements of the remuneration policy

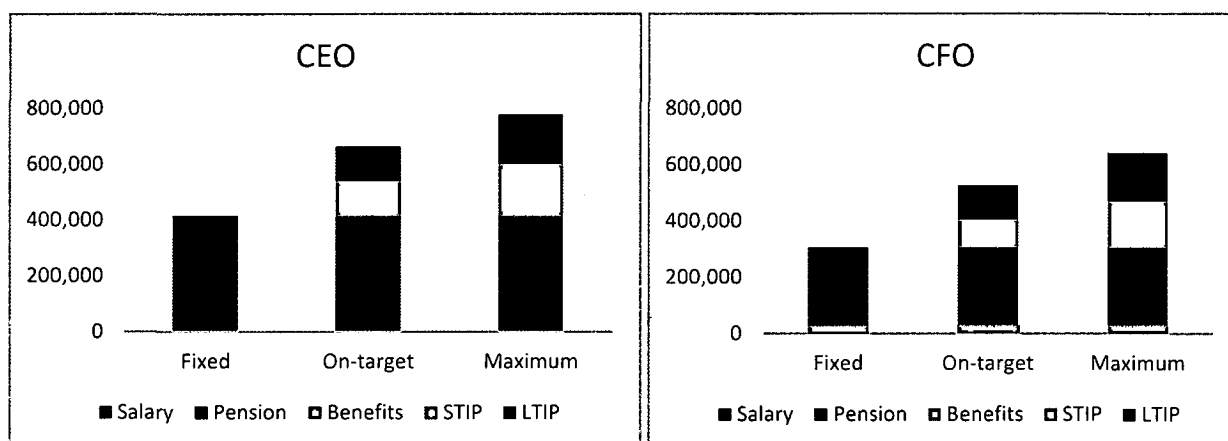
The following table sets out the key elements of the Remuneration Policy for Executive Directors (the CEO and CFO). The remuneration framework including the specific measures and targets for the incentive plans for the Executive Directors requires consent from BEIS each year.

Element and link to strategy	Operation	Potential
Base Salary To recruit and reward individuals based on their skills and for the responsibilities required.	Salaries are normally reviewed on an annual basis, in July. When determining base salary increases for Executives, the Committee takes into account: - individual capability and performance growth - internal comparisons within POL - market data on comparable roles	There is no formal cap set on salaries. Any increase in Executive Directors' salaries will typically be no more than that applied to the wider workforce and will take account of the increases in the public sector and wider market trends.
Benefits The policy is to consolidate taxable benefits into base salary.	In line with Government guidance for senior employees, participation in benefits such as cars, life insurance and health cover schemes are no longer provided to new appointments. Since September 2019, any new Executive appointee is not offered benefits as part of their remuneration package.	Historically, all Executive Directors had the opportunity to participate in benefit schemes. However, now the CFO is the only remaining participating Executive as he was appointed prior to September 2019.
Pension To provide market competitive pensions packages.	Historically, Executive Directors received a 25% salary supplement in lieu of pension. In line with Government guidance for senior employees, any new Executive Director appointment from September 2019 has not been offered salary supplement in lieu of pension but remains entitled to participate in the Post Office Pension Scheme at the same levels of contribution as the wider workforce.	For 2021/22 the CEO has opted out of the Post Office Pension Scheme. The CFO receives a 25% salary supplement in line with previous policy.
Short-Term Incentive Plan ("STIP") A discretionary payment to reinforce and reward improved in-year financial, operational and personal performance.	STIP awards are made annually. The metrics and target ranges are agreed annually with the Board and BEIS as part of the annual business and budget planning cycle. These are described in the Directors' Remuneration Report. 80% of the target STIP award is based on a business scorecard, including financial and non-financial measures and 20% is based on individual performance objectives which are approved by the Board. Company measures are defined at Threshold, Target and Maximum payment levels.	Maximum opportunity under the STIP as % of salary for different levels of performance are as follows: CEO: Threshold: 24% Target: 30% Maximum: 45% CFO: Threshold: 32% Target: 40% Maximum: 66%
Long-Term Incentive Plan ("LTIP") To reward and retain key executives and senior managers on the achievement of strategic longer-term targets linked to the development and growth of a sustainable business.	LTIP awards are made annually and are paid in cash at the end of three years depending on performance against the target. LTIP performance measures include company- level financial and non-financial metrics defined at Threshold, Target and Maximum levels. There is no individual component of the LTIP. Performance measures for the LTIP support the Post Office Strategic Plan agreed with BEIS. The performance targets are agreed with BEIS in advance of each award and are described annually in the Directors' Remuneration Report.	Maximum opportunity under LTIP as % of salary for different levels of performance are as follows: CEO: Threshold: 24% Target: 30% Maximum: 43% CFO: Threshold: 40% Target: 50% Maximum: 70%

Illustrations of application of remuneration policy

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

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



Notes:

Base salary £415,000

Target STIP £124,500 and Target LTIP £124,500 – both at 30% total of £664,000

Maximum that can be achieved capped at 45% on STIP and 43% on LTIP – total of £780,200

Notes:

Base salary £244,800 plus benefits of £73,468.

Target STIP £97,920 and Target LTIP £122,400 – 40% and 50% respectively - total of £538,588

Maximum that can be achieved capped at 66% on STIP and 70% on LTIP – total of £651,196

Policy on payment for loss of office

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

Policy on remuneration at recruitment

The remuneration package for a newly appointed or promoted Executive Director is normally set in accordance with the terms of the remuneration policy of the Post Office in force at the time of appointment.

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

Non-Executive Directors: Key elements of the remuneration policy

The following table sets out the key elements of the Remuneration Policy for Non-Executive Directors. The remuneration framework for the Non-Executive Directors requires consent from BEIS each year. Post Office's Articles of Association provide that the aggregate total of Non-Executive Director remuneration may not exceed £400,000 per annum.

Element and link to strategy	Operation	Opportunity
Fees To attract and retain a high calibre Chairman and Non-Executive Directors.	The Chairman is paid a single fee to cover all duties (including chairing the Nomination Committee). The Non-Executive Directors are paid a basic fee together with additional fees for chairing Board Sub-Committees or the role of Senior Independent Director. The fees for the Chairman are reviewed by the Committee and approved by BEIS. The fees of the Non-Executive Directors are reviewed and approved by BEIS.	Non-Executive Directors do not participate in any variable remuneration or receive any other benefits.

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

	2022 fees	2021 fees	% change
Chair	£19,300	£19,300	0%
Senior Independent NED	£5,000	£5,000	0%
Non-Executive Directors base fee	£35,000	£35,000	0%
Chair of Audit, Risk and Compliance Committee, Chair of Historical Remediation Committee and Chair of Remuneration Committee additional fee	£10,000	£10,000	0%

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

Annual Remuneration Report (unaudited)

Single total figure of remuneration

	Nick Read CEO		Alicia Cameron CFO	
Financial year	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Annualised salary	415	415	245	245
Actual salary	415	415	245	245
Benefits	-	-	10	10
Cash in lieu of pension (Note 1)	-	-	61	61
Fixed remuneration total	415	415	316	316
TI scheme (Note 2)	177	-	79	-
STIP (Note 3)	163	-	99	-
LTIP (Note 4)	115	-	132	-
Variable remuneration total	455	-	310	-
Total remuneration	870	415	626	316

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

Note 2: The 2020/21 Executive Directors' STIP was cancelled and replaced with the Transformation Incentive ("TI") scheme which was paid out in March 2022 and therefore included in the 2021/22 figures rather than in the 2020/21 figures. See the next page for more information regarding the TI scheme.

Note 3: As per note 2, there was no 2020/21 STIP. Payout of the 2021/22 STIP will be made following Board approval of the annual report and accounts ("ARA").

Note 4: The 2018-21 LTIP did not pay out as performance did not reach the EBITDAS target threshold. Payment in 2022 relates to the 2019-2022 LTIP, and payment to CEO and CFO will be made following Board approval of the ARA. The award for Nick Read will be pro-rated in line with his start date of 16 September 2019.

2021-2022 Remuneration Outcomes

Base salaries

Salaries for individual Executive Directors are reviewed annually by the Committee and normally take effect from July. The Committee decided, to be consistent with the decision across the whole Post Office workforce, that no salary increase would be awarded to the Executive Directors in July 2021.

Transformation Incentive Scheme

To replace the cancelled STIP and LTIP plans in 2020/21, the Transformation Incentive ("TI") scheme was implemented on a one-off basis for the Executive Director, Group Executive and Senior Leadership population ("SLP"). This is a deferred cash plan, with a payout opportunity that mirrors eligibility under the STIP. Performance against the plan metrics was assessed in February 2022 and payment was made in March 2022. There is no threshold or maximum performance level around each target. The Committee has discretion to adjust payment in cases of near-target performance.

The scheme is based on a scorecard of four equally weighted metrics aligned to our business transformation priorities:

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

The table below provides the detail of each metric, the accompanying targets set and the performance assessment as evidenced against actual outcomes:

Postmaster Satisfaction (weighting 25%)		
Delivery of a step change in Postmaster engagement through delivery of key milestones and metrics aligned as part of the Culture change programme. Measure effectiveness through delivery of top priority areas identified from the survey feedback and ensure this represents a significant change by January 2022 in comparison to the previous feedback from the Postmaster Consultation with external provider.		
Metric	Target	Outcome
Postmaster Survey: Question B1: "How would you describe your relationship with Post Office?"	Improve from 17% to 30%	25%
Question B7: "How supported or not do you feel by Post Office?"	Improve from 25% to 30%	31%

Inquiry (weighting 25%)		
Delivery of all the required information and support for the Horizon Inquiry satisfying the requirements of Sir Wyn Williams, ensuring there is a clear measurable plan created to demonstrate action on improving the overall culture to be Postmaster centric and to ensure processes for Postmasters are addressed in line with recommendations from the inquiry. Any actions or plans must have been endorsed by the Inquiry and the Board.		
Metric	Target	Outcome
Inquiry support	All required evidence and information supplied on time, with confirmation from Sir Wyn Williams and team that Post Office's performance supported and enabled the Inquiry to finish in line with expectations.	Achieved
Culture change programme	Deliverables and actions from culture change programme achieved with clear evidence to support this on improvements and overall symbols of change e.g. rhythms and routines, new ways of working, activities undertaken to bring our people closer to Postmasters etc.	Achieved
Operational processes and change plans transitioned to BAU	Clearly documented plan on all major operational process, with defined change plans in progress as per recommendations from the Judgements and Inquiry. Deliverables from these changes transitioned to BAU with appropriate controls in place.	Achieved
Validation of Horizon Issues Judgement ("HIJ") and Common Issues Judgement ("CIJ") actions	External sign-off of IT Audit on HIJ. External sign-off of execution of plans instigated by external consultant work.	Achieved
New Branch IT - Strategic Platform Modernisation ("SPM") programme (weighting 25%)		
Create a Board approved SPM plan and business case to move off Horizon dependence (first version by 31 March 2021, final by 31 December 2021) and deliver a prototype to operate an 'express' proposition fully outside Horizon by 31 January 2022 with ability to subsequently scale across the Post Office network.		
Metric	Target	Outcome
Prototype express proposition	Prototype express proposition in place by 31 January 2022.	Achieved
SPM roadmap	Clear understanding and Board approval for the roadmap, major milestones, overall business case and overall programme cost to incrementally stand-up a core IT platform that eventually allows for the retirement of Horizon over the next 3-5 years.	Achieved
SPM module	A functional SPM module, which includes a retailer-facing device and new Postmaster interface, which allows Postmasters to process transactions from the "basic" and "express" propositions without the need of a Horizon terminal.	Achieved
SPM rollout	A roadmap and timeline for the rollout of that SPM module to 400 new or existing Post Office locations in order to meet the first business objectives of the Network Strategy.	Achieved
Investment assessment	The Remuneration Committee to assess whether the investment has been spent wisely.	Achieved

Organisational Design (weighting 25%)		
Delivery of an improved organisational design and lower cost operating model through the successful implementation of organisational change plans. Measured by improving metrics on spans and layers (in accordance with best practice making the organisation flatter and more aligned to the Postmaster.		
Metric	Target	Outcome
FTE reduction	Reduction of net 280 FTE between August 2020 (baseline) and January 2022. NB: This excludes any capability build for IT and Data and any potential FTE reductions related to colleagues in DMB branches if reductions are to be made with funding and shareholder consent.	FTE reduction of 334
Span of control	Average of fewer than 6 direct reports per manager	Average of 5.8 direct reports per manager
Line Managers	Fewer than 15% of the workforce as line managers	16.4% workforce are line managers
Grade compression	Maximum 90 cases of grade compression across the structure	Now 70 cases of grade compression

The Committee reviewed this information in order to determine a fair level of award for the performance achieved. The table below shows the decision reached and the supporting rationale:

Plan Metric	Award level	Decision rationale
Postmaster Satisfaction	50%	Whilst the results from the survey of Postmasters only hit one of the two targets, the Committee determined that it was appropriate to use our discretion to recognise significant progress in building levels of Postmaster satisfaction, and the challenging targets which exceeded external recommendations for improvement over this period of time. The Committee also recognised the substantial delivery against the action plan against Postmaster priority areas. The Committee awarded 50% of the target payout against this plan metric.
Inquiry	100%	A wide range of evidence was examined to cover all the targets set against this metric. including external audit reports validating that the in-scope HIJ and CIJ actions due within the timeframe had been completed. The Committee awarded 100% of the target payout against this plan metric.
New Branch IT - SPM	100%	A range of evidence was examined to demonstrate achievement against the targets, including reports to the Board and updates to the SPM Steering Committee. The Committee awarded 100% of the target payout against this plan metric.

Plan Metric	Award level	Decision rationale
Organisational Design	75%	The Committee reviewed the information as tracked and reported by the Organisational Design team. On the basis that three out of the four areas had met the target, the Committee awarded 75% of the target payout against this plan metric.

Overall, the base award made to TI scheme participants was 81.25% of target, before any adjustments for individual performance. The Committee considered the formulaic outcome of 81.25% to be a fair reflection of Post Office performance over the TI period and did not therefore consider it appropriate to exercise additional discretion.

Consideration of Individual Performance within the TI scheme

Participants must perform satisfactorily to receive a payment. Additionally, there is provision for enhanced awards to a small group of consistently high performing individuals, limited to 20% of the eligible population. The enhanced award may not exceed the maximum STIP opportunity for the individual.

Recommendations for an award were made to seven individuals, of whom six were at SLP level. In addition, the Chairman recommended an enhanced award for Nick Read to reward his strong leadership of Post Office through exceptionally challenging times.

2021/22 STIP

The 2021/22 STIP comprises both financial and non-financial metrics in line with the strategic priorities of the business. Company measures account for 80% of the plan, with individual performance accounting for 20%. Each metric has three performance levels set which correspond to Threshold, Target and Maximum payout levels. The plan metrics and performance levels for the company metrics are shown on the next page.

Company measures (80% weighted)

Metric	Weighting	Target ^{Note 1}			Performance achieved	Outcome (% of target achieved)
Network Availability (Gateway metric)	N/A	11,500 branches (subject to any waiver from the Shareholder)			Over 11,600	Gateway passed ^{Note 2}
Financial Metric: EBITDAS	40%	Threshold	Target	Maximum	£39.5m ^{Note 3}	103.95%
		£30.4m	£38m	£45.6m		
Postmaster Satisfaction, measured by Postmaster survey answers to two questions: B1: How would you describe your relationship with Post Office? B7: How supported, or not, do you feel from Post Office?	15%	Threshold	Target	Maximum	B1: 25% B7: 31% Average: 28%	84.85% ^{Note 4}
		30%	33%	36%		
Transaction Corrections (average aged open items)	15%	Threshold	Target	Maximum	954	125.79% ^{Note 5}
		1400	1200	1000		
Growth in Mails revenue	7.5%	Threshold	Target	Stretch	£339.5m	92.26%
		£331m	£368m	£405m		
Growth in Banking revenue	7.5%	Threshold	Target	Stretch	£215.8m	100.84%
		£190m	£214m	£236m		
Dangerous Goods handling % at P12: Inland	7.5%	Threshold	Target	Stretch	59	84.29% ^{Note 6}
		60	70	80		
International	7.5%	75	85	95	95	111.76% ^{Note 7}

Note 1: Payment calculated on a straight-line basis between threshold and maximum / stretch.

Note 2: The network stood at around 11,600 branches at year end. During the year, there were occasions where the network number fell below 11,500 for reasons outside of Post Office control. However, on the basis that the year-end number was in excess of the gateway and POL's intention was clearly to sustain this size of network, the Committee considered the gateway metric as achieved.

Note 3: This is an adjusted figure downwards from that disclosed elsewhere in this ARA. This is due to the removal of an amount for the release of bonus accruals to avoid over-payment of STIP.

Note 4: Threshold target for responses to survey questions were not met. However, as for the TI Scheme, the Committee applied its discretion to make a minimum Threshold award, considering the improvement against previous results, the progress in Postmaster Trust metrics and against the key action areas. The Committee wished to recognise the significant contribution and achievements of the Post Office leadership group in this respect.

Note 5: As the actual performance exceeded the maximum performance level (i.e. fewer aged open items) the maximum award was made under this metric.

Note 6: Actual performance was below Threshold hence no award was made in this respect.

Note 7: As the actual performance exceeded the maximum performance level, the maximum award was made under this metric.

Individual performance (20% weighted)

Individual performance accounts for 20% of the plan opportunity, based on an assessment of performance against objectives.

In addition to the use of the individual performance score in determining how much of the 20% is achieved the score is also taken in consideration to adjust the overall STIP.

The Chairman recommended an enhanced award for Nick Read to reward his strong leadership of Post Office through exceptionally challenging times. This produced a multiplier of 1.3 overall.

2021/22 STIP award

Considering both Company performance against the targets outlined above, and individual performance, the Committee approved a bonus equal to £162,982 for the CEO and £98,605 for the CFO. These amounts are shown in the remuneration table on page 37.

LTIP awards vesting

The 2019-2022 LTIP vested on 31 March 2022. The performance conditions for the plan are set out in the table below:

Network Availability	Gateway Metric	11,500 branches (subject to any waiver from the Shareholder)	
	Threshold	Target	Maximum
EBITDAS	£30.4m	£38m	£45.6m

As noted under STIP above, the gateway target was met and the final year-end EBITDAS outturn was a trading profit of £39.5 million (adjusted to remove the amount of bonus accrual release), which is 103.95% of Target.

The Committee approved an award of 32.56% based on this performance in line with the scheme design. Nick Read's award is pro-rated in line with his start date of 16 September 2019.

Outstanding interests in LTIP

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

	Target award	Stretch award	Performance period
CEO	35%	43%	2021 - 24
CFO	50%	70%	2021 - 24

There was no LTIP award made in 2020/21.

LTIP 2021 – 24

The Committee approved an LTIP for 2021-24. The plan aims to reward, motivate and retain senior executives for long-term sustained performance against critical measures of success.

The LTIP comprises both financial and non-financial measures which are strategic transformational measures. There are also two gateway measures that must be met before any LTIP award can be made: Network Availability and positive EBITDAS.

The other measures in the plan are:

- Financial (40% weighting)
- Postmaster Promise (15% weighting)
- Systems implementation: delivery of mails services without Horizon (15% weighting)
- Systems implementation: Postmaster adoption: utilisation of processes and services available through

- the new IT system (15% weighting)
- Customer Promise (7.5% weighting)
- Colleague Promise (7.5% weighting)

There is no individual performance measure for the LTIP.

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

Consideration of progress against recommendations of the Inquiry

In determining the outcome of the LTIP, the Committee will take into account the recommendations of the Inquiry when available and review the progress of the Executive against those recommendations. If not available during the LTIP measurement period this measure will be deferred and included in the 2022-25 LTIP and not this 2021-24 LTIP.

Total pension entitlements

Any new Executive Director appointment from September 2019 is not offered salary supplement in lieu of pension but remains entitled to participate in the Post Office Pension Scheme at the same levels of contribution as the wider workforce. This applies to the CEO who has chosen not to participate in the scheme in 2021/22.

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

Remuneration of the CEO over time

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

	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000
Total Remuneration	544	522	619	671	718	717	475	415	870
Salary	250	250	250	250	255	255	415	415	415
TI (% of target)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	95%
STIP (% of target)	38%	48%	77%	99%	96%	71%	32%	N/A	101%
LTIP (% of target)	59%	45%	59%	62%	80%	100%	N/A	N/A	104%

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

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

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

Percentage change in CEO remuneration compared with employees

The CEO's total pay in 2021/22 increased by 110% in comparison to 2020/21. This can be explained as follows:

- No STIP payment was made in 2020/21 whereas a STIP award was made in 2021/22
- The TI scheme did not pay out until March 2022 although the performance period included 2021
- The CEO was not eligible for the 2018 – 2021 LTIP (which in any case did not pay out). He was eligible for a pro-rated award under the 2019-22 LTIP which will be paid out in 2022/23 following publication of this ARA.

Note that the CEO did not receive a pay increase in either 2020/21 or 2021/22.

Over the same period, remuneration for other employees was affected as follows:

- In line with guidance from BEIS no pay award was made to any staff groups in 2021/22
- Employees in bonus-eligible grades (management grades) received a bonus in line with their eligibility. The average bonus was just circa 98% of target, with some adjustments based on individual performance
- Employees in the Group Executive and Senior Leadership population received a payment under the TI scheme
- Eligible employees in the Group Executive and Senior Leadership population received an award under the 2019 – 2022 LTIP

Note that employees in non-management grades had bonus consolidated into base pay effective April 2020 and therefore were not eligible to receive a bonus in 2021/22.

CEO pay ratio

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

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

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

Total remuneration			
2021/22	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
CEO single figure remuneration	£870,000	£870,000	£870,000
Pay ratio	31:1	26:1	18:1
Employee total pay and benefits	£28,000	£33,000	£48,000

The CEO remuneration is the total single figure remuneration for the year ended 27 March 2022.

The total pay and benefits for Post Office employees at P25, P50 and P75 has been determined using the calculated full-time equivalent ("FTE") basic pay, including fixed allowances, taxable benefits, accrued incentives and the default defined contribution employer pension contribution for the year ended 27 March 2022.

By way of comparison, WTW, Post Office's Remuneration Committee advisors, quote the median UK CEO pay ratio in the FTSE 250 at 44.75:1.

The table below shows the P50 ratio information each year since this figure was first reported in 2020/21. Eventually the table will include ratios for the previous 10 years.

	2020/21 P50 (median)	2021/22 P50 (median)
CEO single figure remuneration	£415,000	£870,000
Pay ratio	12.8:1	26:1

Payments to past Directors

There were no payments to past Directors.

Payments for loss of office

No payments were made for loss of office in 2021/22 to Executive Directors, and at the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office to Executive Directors.

Single Figure for Non-Executive Directors

The table below shows the remuneration of Non-Executive Directors for the year ended 27 March 2022 and the comparative figures for the year ended 28 March 2021.

Name	Annualised fees 2022 £	Actual fees (note 1) 2022 £	Actual fees 2021 £
Tim Parker (note 2)	19,230	19,230	19,230
Tom Cooper (note 3)	-	-	-
Lisa Harrington (note 4)	45,000	36,855	35,000
Ken McCall (note 5)	45,000	41,667	50,000
Carla Stent	45,000	45,000	45,000
Zarin Patel (note 6)	40,000	35,914	35,000
Saf Ismail (note 7)	35,000	32,083	-
Elliot Jacobs (note 8)	35,000	32,083	-
Ben Tidswell (note 9)	45,000	30,605	-
Brian Gaunt (note 10)	35,000	8,750	-

Note 1: The actual fees are shown as at 27 March 2022 or at the date of leaving.

Note 2: Donates the after-tax value of his Board fees to charity.

Note 3: Tom Cooper is an employee of UK Government Investments Limited ("UKGI").

Note 4: Appointed as Non-Executive Director on 8 April 2020 and as Remuneration Committee Chair on 26 January 2022.

Note 5: Stood down as Senior Independent Director and Remuneration Committee Chair on 25 January 2022.

Note 6: Appointed as a Senior Independent Director on 26 January 2022.

Note 7: Appointed as Non-Executive Director on 3 June 2021.

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

Note 9: Appointed as Non-Executive Director on 27 July 2021.

Note 10: Appointed as Non-Executive Director on 25 January 2022 and has been Chair of the Historical Remediation Committee since it first met on 26 August 2021. Joined the Remuneration Committee on 30 November 2021.

Service Contracts

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

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

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

Name	Date of joining the board	Notice period
Ken McCall	21 January 2016	6 months
Tim Parker	1 October 2015	6 months
Tom Cooper	27 March 2018	N/A
Carla Stent	21 January 2016	6 months
Zarin Patel	26 November 2019	6 months
Lisa Harrington	8 April 2020	6 months
Elliot Jacobs	03 June 2021	6 months
Saf Ismail	03 June 2021	6 months
Ben Tidswell	27 July 2021	6 months
Brian Gaunt	25 January 2022	6 months

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

External appointments

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

Carla Stent is a Director of Bestinvest (Consultants) Limited, HW Financial Services Limited, Index Fund Advisers Limited, MCS Advisory Limited and JP Morgan Elect PLC. She is also a Director of Evelyn Partners formerly Tilney Smith & Williamson Group, where she chairs the Risk and Audit Committee and is a member of both the Remuneration and Nominations Committees. She is Chair of Marex Group and also chairs several early-stage businesses. She is a Chair and shareholder of Littlefish FX Limited. She is a shareholder of Lightpoint Medical Limited, Antaco UK Limited and Binomia Limited (trading as New Path). She was appointed as a Director at HFS Milbourne Financial Services Limited on 02 March 2021. Carla is a shareholder of LiveSmart, 55 Redefined, Malherbe Limited, Savernake Management Limited, Savernake Capital Limited and Savernake Technology Limited. She ceased her role as Chair of Malherbe Limited, Savernake Management Limited, Savernake Capital Limited and Savernake Technology Limited on 03 December 2021. She ceased her role as a Director of NCL Investments Limited on 08 December 2021. She ceased her role as Vice Chair of Power to

Change Trustee Limited on 31 January 2022. On 26 July 2022 she joined the Board as an independent Non-Executive Director and Chair of the Audit & Risk Committee at Telecom Plus plc.

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

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

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

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

Lisa Harrington was appointed as an Independent Director and Chair of the Nominations Committee at Digital 9 Infrastructure Plc on 05 March 2021. She ceased her role as Acting Managing Director of Infrastructure at Hyperoptic Ltd on 12 December 2021. She joined the Board of the Children's Book Project as a Trustee on 01 May 2022. She also joined the Board of the Supporting Education Group (SEG) as a Non-Executive Director on 06 May 2022. Lisa was appointed to the Cabinet Office on 01 June 2022. This is a voluntary advisory post and she will sit on their Digital Advisory Board.

Elliot Jacobs is currently a Non-Executive Director at Office Friendly Dealer Association Limited. He is also a Director at Universal Office Equipment (UK) Limited, UOE Holdings Limited, Onjoy Ltd and Jems Group Ltd. Elliot is a Postmaster NED at Post Office and runs the following Post Office branches: N2 (0110043), EN6 (190005), SG14 (1671294), N8 (2050048), N10 (2070049), N16 (2080044) and NW1 (208005). He was appointed as a Director at Quickdrop Delivery Limited on 04 February 2022.

Saf Ismail is a Director at IE Group UK and also a Postmaster NED at Post Office. He runs the following Post Office branches: PR1 (223427), PR1 (228427), PR1 (220427), PR2 (189406), BL1 (3894061), OL10 (311424), PR7 (0146270), BL4 (0034061). Saf is also a Board member of a non-profit community organisation PMF.

Ben Tidswell is a Chairman at the Competition Appeal Tribunal, which hears and decides cases involving competition or economic regulatory issues in the UK. Ben was an LLP Designated member of Tractor Transfer LLP and Ashurst LLP until 31 July 2021. He ceased his role as Global Chairman of international law firm Ashurst on 31 July 2021, which included ending his Directorships at the following companies: Ashmor Nominees Limited, Ashurst Group Limited, Ashurst Healthcare Trustee Limited and Ashurst Business Services Limited.

Brian Gaunt is a Non-Executive Director at Interdelta Ltd. He concluded his role as Chairman of MFS Group Co in March 2022. He is the Director and co-owner of Cherry Blossom Developments Ltd and the Director and Owner of B2CSupply Ltd.

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

Fairness, diversity and inclusion

In this section of the report we explain how Post Office is working to create a fair and progressive workplace for everyone that will help to improve our diversity pay gap.

Equity, Diversity and Inclusion Policy

Equity, Diversity and Inclusion ("ED&I") at Post Office goes beyond meeting the minimum legal requirements. The Post Office is full of talented, committed people and we want to create an environment where difference of thought, experience and background is encouraged, an environment where everyone has opportunities to grow regardless of gender, race, sexuality, disability or other characteristics. And we want our people to trust that decisions that affect them at any stage of working with us are based on merit and fairness.

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

ED&I targets

The Group Executive ("GE") has agreed stretching gender and ethnicity diversity targets for the overall workforce and specifically for Senior Management to reflect the communities that we serve. Our aspiration is that we will have a Leadership team which is 50% female and 14% BAME (Black, Asian and Minority Ethnic) by 2024. These targets will be reviewed once we have the information from the 2021 Census.

Performance in 2021/22

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

	Colleague Group	2021/22	2020/21
Gender (data shows percentage female)	All colleagues	52.5%	53.9%
	Group Executive	20.0%	12.5%
	Senior Leadership Population	34.0%	34.6%
	Senior Managers	40.7%	44.0%
	Middle Managers	47.9%	46.0%
	Graduates	60.0%	50.0%
	NEDs	33.3%	33.3%
BAME (data shows percentage BAME)	All colleagues	20.0%	21.0%
	Group Executive	0.0%	0.0%
	Senior Leadership Population	5.7%	2.0%
	Senior Managers	14.3%	12.0%
	Middle Managers	17.8%	16.0%
	NEDs	22.0%	11.0%
	Graduates	Not disclosed due to small numbers to respect confidentiality of personal data shared.	

Whilst progress is gradual, we believe that we are starting to see the impact of our efforts in building more diverse slates of candidates at the recruitment stage, and in neutralising the language in job advertisements to remove any type of gender or race bias.

With regard to internal promotions, around 51% of internal promotions into management level positions were women, and 18.5% were BAME employees. This is broadly in line with the data we reported last year (55% and 17% respectively). Our particular focus going forward will be promotions into the Senior Leadership Population as there is still a significant gap between our overall figures and our performance at the most senior level.

We remain committed to our targets and have taken a number of concrete actions this year to drive positive change. These include:

- **Ways of Working**

Our Ways of Working are critical to embedding a culture of positive change at Post Office. In early 2022, we took the opportunity at the all-colleague conference to emphasise these Ways of Working, which reinforce our values and the importance of respect, trust and integrity. These Ways of Working are now embedded in our performance expectations of all our colleagues and especially our leaders. How people apply these ways of working in how they behave day-to-day will inform reward and career development decisions.

- **Talent Management and Career Development**

In 2021, we invested in a new Talent Manager who joined us as a senior hire, bringing valuable additional expertise to support managers in identifying and developing diverse high-potential talent.

- **Networks**

We continue to support colleague-led networks to enhance community and connection for our people. These include:

- Women at Post Office network group (Affinity) where those women who have been identified as high potential meet with our senior female leaders for mutual support and inspiration
- Prism which supports our LGBTQ+ community
- Post Office Ethnic Minorities ("POEM") which supports Black, Asian and Minority ethnic colleagues
- Be You which supports wellbeing and colleagues with a disability

- **ED&I Council**

This year, we established an ED&I Council to provide business leadership for refreshing our ED&I strategy and overseeing the implementation of that strategy. The Council comprises a representative from our Group Executive, together with a senior leader and the Chairs of the Colleague networks. The Council reports to the Board. We believe that the Council will add powerful focus and business leadership which will help to accelerate our progress towards our ED&I goals.

- **ED&I Survey**

We ran an ED&I survey for the first time in June 2021 to capture insights and feedback from our colleagues on their everyday experiences at the Post Office and to help us identify priorities for future action. The results against some of the key questions is shown below:

Question	Percentage agreeing	Female	BAME
I feel included in my team	80%	80%	67%
My manager believes in Diversity and Inclusion	82%	79%	65%
Post Office has diverse representation of background and identities across all levels in the organisation	61%	58%	47%
Post Office is a diverse organisation to work in	79%	75%	71%
When I speak up at work, my opinion is valued	62%	62%	49%

These results are a baseline against which to measure progress and assess the effectiveness of our actions. We will run the survey on an annual basis.

- **"Let's talk about Race"**

We rolled out a virtual real-time two-hour session for all colleagues: "Let's talk about Race" aimed at building awareness and understanding of issues faced by our ethnic minority colleagues. The programme was run on a voluntary basis over a six-month period and we were delighted that over 90% of colleagues participated. Feedback from the sessions was very positive and we plan to continue the format in 2022 to cover different topics.

- **"Advocacy and Allyship"**

We ran a virtual "face-to-face" session with our most senior leaders in the business (Group Executive and Senior Leadership Group) on "Advocacy and Allyship" which provided guidance on how senior leaders can best support diverse employees in their teams.

- **ED&I Days**

We supported two major events this year – Diversity Day and International Women's Day. These days celebrate diversity through a varied and fun programme of events throughout the day which raise awareness and build understanding of specific diversity issues. They are always a big success with strong levels of participation and great feedback.

- **Diversity Newsletter**

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

- **Information and Understanding**

Underpinning all our initiatives is data. We continue to improve our base data and we have over 90% of colleagues who choose to disclose ethnicity. On an annual basis, we run a targeted campaign to encourage employees to share diversity data so that we have better insights into other areas of diversity such as sexual orientation and disability.

We maintain a Diversity Dashboard which presents a clear picture across our whole workforce, our leadership team, promotions and new hires. Through the year we have been working to improve the information we can include in the dashboard so that it provides broader insights and stimulates better conversations at Group Executive level.

We published our 2021 Gender Pay Gap in April 2022. This showed a slight increase in the mean gap from 15% to 16%. The median pay gap remains the same at 10%.

We published our Ethnicity pay gap data for the first time in April 2022 (data as of April 2021). We had tracked this internally since 2020, so were able to report two years of data. Our overall mean ethnicity pay gap is 12%, up slightly from 11% in 2020. The median ethnicity pay gap is -2%, up from -6% in 2020. Our ethnicity pay gap reflects the lack of ethnic diversity at senior levels in our organisation.

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

Looking forward

Achieving our goals of creating a truly inclusive workforce and having better representation of women and BAME employees at senior levels requires sustained commitment and continuous action. Our main focus for 2022/23 will be:

- Embedding our Ways of Working into our everyday interactions with each other. We will be rigorous in keeping the focus on these ways of working and their connection with performance management, reward, recognition and career development. In particular, we will provide our people with clear examples of ways of working to help them with the everyday conversations that bring our Ways of Working to life.
- Working with the new Diversity Council to create an ED&I Strategy with supporting commitments that will be approved by the Board.
- Providing "Let's talk....." sessions every two months which will feature people from underrepresented groups sharing their experiences and providing an opportunity for colleagues to ask questions in an open and non-challenging environment.
- Re-running the Diversity survey to track progress and help inform our future agenda.
- Undertaking a deep dive audit of our ED&I processes. Using external expertise, we plan to review our end-to-end processes to identify key areas for improvement and where we can make most impact against our goals.
- Continuing to build our ability to use data to generate insights by integrating ED&I data in a broader range of talent metrics.
- Focussing on those areas that will make a tangible difference to our representation at Senior Leadership levels since we need to accelerate our progress in this respect. This will primarily relate to:
 - Recruitment: re-launching our external employer brand, promoting more diverse job boards and reviewing our end-to-end selection and assessment process.
 - Talent Development: improving talent identification and offering development programmes specifically targeted at underrepresented groups.

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



Lisa Harrington

Chair of the Remuneration Committee

17 August 2022

Management of Risk

Our Approach to Risk

As a commercial business with a social purpose, the Post Office must balance the need to provide essential services to our customers with maintaining and enhancing profitability. The Post Office is, and will continue to be, exposed to many sources of risk as a result of its various activities and the external environment in which it operates.

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

Our Risk Management Framework

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

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

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

Risk Management Governance

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

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

In providing such oversight the Board assesses the nature and extent of the existing and emerging key risks being encountered, as the Post Office aims to achieve its objectives. The Board agrees the frequency and scope of its risk discussions and ensures processes are in place to bring significant issues to its attention. It also examines potential long-term threats, risks, emerging issues and opportunities to assure itself on the effectiveness of our risk management framework.

The ARC supports the Board in its assessment and management of key risks. In doing so the ARC ensures the Board understand the business strategy, operating environment and the associated risks. The ARC reviews the Post Office's policy, risk appetite and attitude to risk to ensure these are appropriately defined and

communicated so that parameters and expectations are understood. They regularly and critically challenge and review our risk management framework to evaluate how well the arrangements are working. In doing so they also review the adequacy and effectiveness of our internal control framework.

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

In this structure the 1st Line function is performed by Post Office Individual Business Units and Subsidiary Departments who identify, assess, own and manage the risks. They are also accountable for the design, implementation and maintenance of the associated internal control measures. The Group Executive ("GE") form part of the 1st Line function providing clear communication of our goals, objectives, strategy and achievement metrics. The GE also set the Risk Appetites and approved tolerance levels that ensure enough risk is being taken to ensure Post Office strategic objectives are met.

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

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

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

Risk Management Strategy

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

Risk Management Protocols

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

Our Control Framework

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

Risk Appetite

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

The Policy defines Risk Appetite as the amount of overall risk the Post Office is willing to pursue (or retain) to achieve its strategic objectives. It also outlined a five-tiered appetite scale (ranging from 'Averse' which borders on zero tolerance, through 'Neutral' to 'Open') against which individual risks would be assessed. In doing so,

the Policy requires several factors to be considered including (i) our tolerance for uncertainty (ii) our decision choices and (iii) our strategic priorities.

ARC have approved risk appetites for legal & compliance, operational (including Postmaster-centric) and people risks. Technology (including cyber), finance and commercial are being developed.

What has changed since last year?

Risk Harm Table

During 2021/22 we undertook a comprehensive review of our Corporate Risk Harm Table. We reviewed the current version to simplify the scoring of risks for risk owners when determining the Impact and the Likelihood of the risk. The revised Harm Table now focuses on the impacts of risks on (i) us (as Post Office Group), (ii) our Postmasters and strategic partners and (iii) our customers. The Harm table was formally approved by ARC in March 2022 and is embedded within the Risk Policy.

Central Risk Function

During 2021/22 work has focused on the integration of the GRC Service Now platform with the business, enabling 1st line to actively manage risk. The integration of risk management equips the business with the ability to monitor, manage and act on different risks in real time. Integrated risk management is an important aspect of a risk conscious organisation that can improve performance and decision making.

Governance, Risk & Compliance (“GRC”) framework

During 2021/22 we have formalised a Post Office Governance, Risk and Compliance Oversight Group. The overall purpose of this forum is to design and deliver a Post Office GRC strategy and provide an aligned assurance view on the Post Office’s internal control and risk environments take all reasonable steps to ensure accurate and informative Governance, Risk & Compliance reporting.

The scope of the Committee will focus on;

Governance

- Review statements to be included in the Annual Report concerning internal controls and risk management.
- Support the embedding of a compliant risk and controls culture across the Group where the various accountabilities and responsibilities across the three lines of defence are understood and followed.
- Support an aligned risk and controls strategy to utilise the benefits of the GRC tool as a whole and reduce siloed working practices.
- Make decisions about the strategy and key processes impacting risk and control management.

Risk

- Monitor the Group’s overall risk management framework and strategy in place including its risk appetites and tolerance for different risk groupings developed under the Risk Policy.
- Review regular reports from the Group Head of Risk on the adequacy and effectiveness of the Group’s Central Risk function.
- Oversee a common tooling approach to the corporate management of risk supported by appropriate processes.

Controls

- Monitor the adequacy and effectiveness of the Group’s internal control and risk management systems.
- Review regular reports from the Director of Compliance on the adequacy and effectiveness of the Group’s compliance function.

- Design, deliver and oversee a common tooling approach to the corporate management of controls supported by appropriate processes.

Key Risks

During 2021/22 there has been no change to the 13 Enterprise Risks reported in the 2020/21 ARA. Our reporting of risk to the Risk & Compliance Committee and the Board Audit, Risk & Compliance Committee is aligned to 'Our Intent 2025' providing clear visibility of risks that may prevent the business from achieving its objectives. The table below identifies a number of (but not all) Intermediate risks faced by the Post Office that have a residual risk rating of 'high' or are outside of agreed appetite. Every risk has a supporting response plan which will either Mitigate the risk or Accept the risk as we may not be able to remediate due to financial constraints. This level of detail is provided at the Audit and Risk Committee.

Our Intent: Become a successful, sustainable, and sought-after franchise and an organisation that colleagues feel proud to work for		
Objectives	Detail of Key Strands	Key Risk Area
1 Strong, trusting and rewarding relationships	Long-Term: We will prioritise strong, trusting and rewarding relationships with all our Postmasters. Short-Term: Engage our Postmasters more in how decisions are taken which impact them. Show that we have learned from past mistakes and see benefits of changes we are making following the judgements in the civil and criminal courts.	1. Group Litigation Order Remediation (including Horizon Issues Judgement & Common Issues Judgement) 2. People & Culture 3. Management of Union relationships 4. Legal & Regulatory Compliance, including tax risks arising from complexities in the organisation and its operations. 5. Health & Safety breach 6. Postmasters lose faith in our ability to change 7. Ineffective Corporate Governance
2 Strengthen our network	Long-Term: We will grow our network, making sure we have the right branches in the right locations nationwide Short-term: Having over 11,500 branches open and start to make progress towards having more than 12,000 post offices by 2025	8. Cyber Security - Loss of Availability 9. Inadequate Business Continuity Plans 10. Inadequate testing of System Resilience
3 Innovate in Mails	Long-Term: We will innovate in Mails, working with more carriers and delivering more of what customers want and small businesses need. Short-Term: Focus on our core strengths – Mails and Parcels – as well as introducing new complementary services that optimise the benefit of our network and our brand	11. Postmaster proposition not profitable
4 Access to cash	Long-Term: We will secure free, convenient and reliable access to cash in every community.	12. Impact of new access to cash legislation and regulation on our banking services 13. Increasing money laundering through our branch network 14. Anti- Money Laundering compliance
5 Build commercial partnerships	Long-Term: We will build commercial partnerships, to launch new products and services in our branches and online. Short-Term: Focus on our core strengths – Mails and Parcels, Cash and Banking; Bill Payments and Travel – as well as introducing new complementary services that optimise the benefit of our network and our brand, such as digital identity.	15. Long term Commercial sustainability of Post Office 16. Ineffective management of commercial partnerships 17. Increased Digitalisation

6	New branch technology	Long-Term: We will invest in new branch technology for Postmasters and online for their customers. Short-Term: We plan to roll out a modern IT system for our branches to replace Horizon. We will begin to pilot different elements of its replacement.	18. IT suppliers fail to meet contractual expectations 19. Legacy Hardware & Software within our Infrastructure 20. Misconfiguration of IT/Security Infrastructure
7	Value for our shareholder	Short-Term: We will create value for our shareholder with a successful, sustainable and efficient business.	21. Inability to pay creditors 22. Failure to complete restructuring of cost base 23. Post Office operating model non-compliant with new regulation 24. Insufficient Operational Capacity to deliver core services 25. Lack of insight and easily accessible data into how to support branches easily 26. Failure to implement adequate processes which may adversely impact our Environmental, Social and Governance compliance requirements.

Streamlined Energy & Carbon Reporting

This report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for Post Office Limited for the data reporting year 1 April 2021 – 31 March 2022, under the Government policy Streamlined Energy & Carbon Reporting ("SECR"), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

It also summarises the methodologies utilised for all calculations related to the elements reported under Energy & Carbon.

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

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

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

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

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

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

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

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

The total consumption (kWh) figures for energy supplies reportable by Post Office Limited are on the next page.

Utility and Scope	2021/22 Consumption (kWh)	2020/21 Consumption (kWh)
Gaseous and other fuels (Scope 1)	10,207,452	10,765,410
Transportation: Mobile Post Office ("MPO") Fleet (Scope 1)*	1,294,858	1,130,016
Transportation: CIT Fleet (Scope 1)	9,712,863	9,895,288
Transportation: Company Car Fleet (Scope 1)	1,063,773	1,011,911
Grid-Supplied Electricity (Scope 2)	10,149,233	11,785,422
Transportation: Grey Fleet (Scope 3) **	433,327	366,080
Total	32,861,506	34,954,127

* Methodology for 2021/22 transportation emissions calculations, and scope categorisation has been revised, as such consumption, emissions and intensity metric for 2020/21 have been recalculated, and restated in this report.

** Includes personal vehicles purchased through a benefit scheme provided to employees that do not wish to join the company car scheme.

The total Greenhouse Gas ("GHG") emission figures (tCO₂e) for energy supplies reportable by Post Office Limited are as follows. Conversion factors utilised in these calculations are detailed in the reporting methodology section on page 61.

Utility and Scope	2021/22 (tCO ₂ e)	2020/21 (tCO ₂ e)
Gaseous and other fuels (Scope 1)	1,869.60	1,979.44
Transportation: MPO Fleet (Scope 1)*	306.70	271.85
Transportation: CIT Fleet (Scope 1)	2,300.59	2,380.51
Transportation: Company Car Fleet (Scope 1)	250.90	239.70
Grid-Supplied Electricity (Scope 2)	2,154.99	2,747.65
Transportation: Grey Fleet (Scope 3)**	101.37	86.72
Total	6,984.15	7,705.87

* Methodology for 2021/22 transportation emissions calculations, and scope categorisation has been revised, as such consumption, emissions and intensity metric for 2020/21 have been recalculated, and restated in this report.

** Includes personal vehicles purchased through a benefit scheme provided to employees that do not wish to join the company car scheme.

Intensity Metric

An intensity metric of tCO₂e per FTE has been applied for the annual total emissions of Post Office Limited. The methodology of the intensity metric calculations is detailed in the Reporting Methodology section on page 62, and results of this analysis is as follows:

Intensity Metric	2021/22 Intensity Metric	2020/21 Intensity Metric*
tCO ₂ e / FTE	2.11	2.25

* 2020/21 FTE value has been revised following report production and has been included in the revision of the energy intensity metric following 2020/21 emissions restatements, as noted in the Greenhouse Gas emissions table above.

Energy efficiency improvements

Post Office Limited is committed to year-on-year improvements in its operational energy efficiency. As such, a register of energy efficiency measures available to Post Office Limited has been compiled, with a view to implementing these measures in the next 5 years.

Measures ongoing and undertaken through 2021/22

Staff Engagement Programme

With staff returning to offices throughout the portfolio through the reporting year, the staff engagement programme has been maintained, with increased emphasis on ensuring the efficient operation of equipment through the properties when occupied. This has included training sessions for staff, and additional visual aids to encourage efficient habits to be formed.

Equipment Replacement Policy

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

Renewable Procurement Policy

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

Driver Engagement Programme

Following the maintained focus on telemetry throughout the vehicle fleet of the business, Post Office Limited have been reviewing data collected and including driver scoring on periodic reporting for the business. This data reviews driver habits (braking, idling time etc.), and identifies areas in which driver training reviews may be required in order to maintain good practices in operation of the vehicle fleet. These installations have been shown to have positively impacted the business over the years since installation, and will continue to be maintained and utilised by Post Office Limited.

Electric and Hybrid Vehicle Implementation

Post Office Limited has increased the numbers of electric and hybrid vehicles in the company car fleet and have removed pure internal combustion engine ("ICE") vehicles from the vehicle choice options. Approximately 70% of company cars ordered by staff have been an electric vehicle, and the business will continue to encourage the uptake of electric options. There have also been a small number of electric vehicles within the grey fleet for the business also on board in the reporting year. The business looks to further increase the numbers of hybrid and electric vehicles in the fleet to further work towards the decarbonising of the fleet.

The Cash In Transit ("CIT") fleet have also seen an increase in the number of vehicles of a Euro 6 standard (i.e. being within a set of limits for harmful exhaust emissions) during the reporting year, increasing the proportion of vehicles of this standard in the fleet to 32%. It is expected in 2022/23 that this percentage will increase with the addition of Euro 6 standard vehicles to 34%.

Measures prioritised for implementation in 2022/23

Office Space Consolidation

Throughout the 2021/22 reporting year, office space requirements have been evaluated by Post Office Limited. As a result of a change to working habits following the pandemic, it has been determined that a smaller office space would be suitable to house the office operations of the business. To this end, in 2022/23, Post Office Limited will be relocating the operations of one of the larger office spaces to a smaller space. It is expected that this will positively impact on the resulting emissions from office operations.

Maintenance Visit Policy

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

Supply Chain Review

In 2022/23 Post Office Limited will seek to undertake a full review of its supply chain, and the associated emissions of those operations. This exercise will support a full carbon footprint for the business, enabling Post Office Limited to demonstrate the results of efforts to reduce emissions across all operations. The increase in scope of emissions reporting for the business will also support the Net Zero goals for Post Office Limited, and impending additional reporting requirements such as the Task Force for Climate Related Financial Disclosures ("TCFD").

Reporting methodology

Scope 1, 2 and 3 consumption and CO₂e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2021, Version 1.0 has been used, utilising the published kWh gross calorific value ("CV") and kgCO₂e emissions factors relevant for data reporting year 1 April 2021 – 31 March 2022.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Post Office Limited were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 13.9% of reported consumption (2020/21 these estimations equated to 6.1%). The increase in estimations required is a result of billing or re-billing activity that has not been possible to source from suppliers at the time of reporting.

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

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

Methodology for the Mobile Post Office ("MPO") Fleet has been updated from utilising fuel purchase data to mileage data for this 2021/22 reporting, with 2020/21 values also recalculated and restated. It was identified in 2022 by the transport team that fuel purchase data (previously thought to be complete) was not received for a number of vehicles in the MPO fleet, so total emissions were not represented in that dataset. Mileage data was confirmed to be received from all vehicles in the MPO fleet, so 2020/21 figures were recalculated based on the recorded mileage to ensure total emissions are recorded for the fleet.

Intensity metrics have been calculated utilising the 2021/22 reportable figures for the following metrics, and tCO₂e for both individual sources and total emissions were then divided by this figure to determine the tCO₂e per metric:

Average full-time equivalents ("FTE") for the year was 3,303 (2020/21: 3,430).

Directors' Report

The Directors present the Group Annual Report and Financial Statements and Company Financial Statements for the year ended 27 March 2022.

Expected future developments

Expected future developments are detailed in the Chief Executive's statement on pages 6 to 8.

Stakeholder Engagement

Details of stakeholder engagement is included in the S172(1) statement on page 29 and 30 and the Remuneration Committee Chairman's Statement on page 31.

Corporate Governance

Details of corporate governance are included in the Governance report on page 18.

Results and dividends

The loss after taxation for the year was £130 million (2021: £661 million restated). The Directors do not recommend the payment of a dividend (2021: £nil).

Share issues

During the year, two ordinary shares of £1 were issued in return for £125 million, see note 19 to the financial statements for further details.

Political contributions

No political contributions were made in the year (2021: £nil).

Research and development

Research and development activities took place during the year in relation to IT transformation projects such as Branch Hub, PCI compliance and transitioning to cloud data storage.

Directors and their interests

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

T C Parker

A C J Cameron

T K G Cooper

L C Harrington

K S McCall (stood down 25 January 2022)

Z H Patel

N J Read

C R Stent

S G Ismail (appointed 3 June 2021)

E M Jacobs (appointed 3 June 2021)

B J Tidswell (appointed 27 July 2021)

B Gaunt (appointed 25 January 2022)

No Director has a beneficial interest in the share capital of Post Office Limited. The emoluments of Directors are set out in the Remuneration Committee Chairman's Statement on pages 33 to 48.

Directors' indemnity

As at the date of approval of the Directors' report a qualifying indemnity provision, made by the company, is in force for the benefit of all Directors of the company. No provision was in place during the financial year.

People

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

- Conduct regular employee surveys, including culture surveys, and use the feedback to track progress and make improvements.
- Regularly provide information on Company performance, policies and organisational developments through our weekly CEO presentations, intranet, briefing sessions and company-wide emails.
- Operate our Learning Academy to provide high quality learning for all employees and Postmasters, aiming to ensure that everyone is supported into reaching their full potential.
- Invest in developing the best talent to support our business, including graduate recruitment and active participation in the apprenticeship programme, available for new and existing colleagues.
- Are committed to providing a safe working environment that promotes the health, safety and wellbeing of employees. A range of services are provided to help all employees stay mentally and physically healthy, including trained mental health first-aiders.
- Collect and report the diversity information of our employees to track and ensure that diversity programmes are moving in the right direction.
- Promote diversity and inclusion and celebrate the diversity of the workforce and communities we serve. We have a number of active employee network groups such as: Affinity - Women at Post Office, to support and nurture female talent; Prism, which supports and celebrates our LGBTQ+ community; Post Office Ethnic Minorities ("POEM") which supports Black, Asian and Minority Ethnic colleagues, and Be You which supports colleagues with a disability.
- Proactively communicate that we are a Disability Confident Leader and actively try to attract talented people to Post Office from diverse backgrounds. We do this through our corporate careers webpage and by working with our recruitment agencies.
- Set diversity and inclusion targets including 50% equal gender representation and 14% BAME representation through all levels of the Post Office by 2024. See page 49 to 52 for more detail.
- Ask all applicants to inform us of any reasonable adjustments we can make to ensure they are not disadvantaged due to a particular disability during the selection process and throughout their employment, including training, career development and promotion.
- Before hiring new team members, line managers must undertake unconscious bias training to reduce instances of bias in the recruitment process.
- Do not tolerate any form of bullying, harassment, victimisation or discrimination whether written, verbal, visual or physical. We are committed to taking the necessary action to ensure that they do not occur, or where they do occur that they are dealt with quickly and eliminated, by following a consistent, fair and robust Bullying and Harassment Policy and Procedure. All managers are required to complete Dignity at Work training to ensure they understand their responsibilities and that they demonstrate the correct behaviours and treat everyone with dignity and respect at all time.

Disabled employees

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

Gender and Ethnicity pay gaps

Our Gender and Ethnicity pay gaps are detailed in the Fairness, Diversity and Inclusion section of the Remuneration Committee Chairman's Report on pages 49 to 52.

Post balance sheet events

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

- 2022/23 Government funding receipts,
- Extension to the working capital facility.

Further details are provided on page 128.

Going concern

After careful consideration of the plans for the coming years, factoring in the continued support of Government, we are satisfied that the Group (being the group of companies headed by Post Office Limited) will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern position, the Board has considered the Group's financial forecasts for the 15 months from the date of approval of these financial statements.

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

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

For 2021/22, the Group received £50 million of Network Subsidy Payments and £177 million in funding, made up of a £125 million equity injection and a £52 million loan. In March 2022 the Government continued to evidence its support of Post Office by committing to provide £150 million in Network Subsidy Payments and £185 million in investment funding, to be received as a grant, over the period 2022/23 through to 2024/25. In addition, in July 2022 the Government extended the £950 million working capital facility to 31 March 2025.

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

For the specific one-off matters, Government has agreed to provide sufficient financial support to Post Office to ensure that the HSS can proceed and settlement payments for OHC can be made, with agreed funding in excess of the current provisions. Funding of up to £233 million has been guaranteed for the HSS provided that the Government's operational and approval processes are followed and all initial offers are sent out by 31 March 2023. Funding of up to £780 million has been guaranteed for compensation to Postmasters who were wrongly convicted of criminal offences or were prosecuted but not convicted and suffered detriment. Discussions are underway on funding other Postmaster Remediation and the Government has written a letter of comfort stating its intention to ensure the provision of support, subject to future approval processes.

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

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

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

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

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

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

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

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

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

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

Financial instrument risk

The exposure of the Group to market risk, credit risk and liquidity risk has been disclosed in note 17 to the financial statements on pages 111 to 113.

Independent Auditors

Appointment of the auditors for financial year 2022/23 is due to take place after the date of this report.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

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

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

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

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

Directors' confirmations

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

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



Alisdair Cameron

Group Chief Finance Officer

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

17 August 2022

Financial Statements

Independent auditors' report to the members of Post Office Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Post Office Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 27 March 2022 and of the group's loss and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 27 March 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the Consolidated financial statements and note 1 to the Company financial statements concerning the group's and the company's ability to continue as a going concern. The cash flow forecasts for the Group and Company during the going concern period ended 15 months from the date of approval of the financial statements contain assumptions regarding continued Government support in relation to i) potentially material future cash outflows, which may or may not arise in respect of Historical Shortfall Scheme (HSS) and Overturned Historical Convictions (OHC) related settlements in excess of amounts already guaranteed by Government, ii) potential payments to be made for Postmaster Remediation (PR) for which Government funding is not yet guaranteed; and iii) possible future requests by Government resulting in cash outflows for Post Office to meet compensation payments or process running costs associated with the Government's intention to provide additional compensation to Group Litigation Order (GLO) claimants. These could occur during the going concern period and Government funding is not guaranteed for all potential outflows. The directors have received written assurances from BEIS that it is the Government's intention to continue to support the Post Office, however, given the nature of Government funding protocols, including the requirement for appropriate approvals within Government, this support does not constitute a financial guarantee. These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

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

- assessing the budgets and cash flow forecasts prepared by management and assessing the severe but plausible downsides for both trading profit and exposures relating to OHC, HSS and PR, with the latter leading to a material uncertainty over going concern. We challenged management on their assumptions, including on the severity of their trading profit downside, validating the mathematical accuracy of the model's calculations, including headroom;
- corroborating the existence of government funding and the extension of working capital facilities to signed agreements; and.
- reviewing the disclosures made in the Group and Company basis of preparation and the Directors report.

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

Emphasis of matter - Estimation uncertainty in relation to the valuation of Historical Matters related provisions

In forming our opinion on the financial statements, which is not modified, we draw attention to the estimation uncertainty which is disclosed in relation to the valuation of the HSS provision, the OHC provision and the PR provision as explained in note 1 of the consolidated financial statements (Critical accounting estimates and judgements in applying accounting policies) to the financial statements. Post Office Limited ("POL") has recognised provisions of £172 million related to the HSS, £487 million related to the OHC and £62 million related to PR. In aggregate the financial statements include provisions in respect of these Historical Matters of £721 million. As disclosed in note 1, Government has stated its intention to ensure the provision of sufficient financial support to ensure that POL can meet the cost of these liabilities. Although the directors have based the provisions on their best estimate, including input from legal advisors, there is significant estimation

uncertainty in determining the ultimate amounts that will be payable in respect of these Historical Matters. In particular the provisions are highly sensitive to assumptions regarding i) the estimated average payment value per claim in respect of the HSS; ii) the estimated number of claimants to whom payments will be made and the estimated average value of such payments in respect of OHC settlements; and iii) the number of eligible Postmasters who will receive payments and the average value of such payments in respect of PR. Changes in any of these assumptions could result in highly material changes to the valuation of the provisions.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 27 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Enquiring with management, internal audit and those charged with governance to understand the relevant laws and regulations applicable to the Group and Company, and their assessment of fraud related risks;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Identifying and testing journal entries using a risk-based targeting approach for unusual account combinations that could impact revenue and Trading Profit;
- Challenging assumptions and judgements made by management in determining significant accounting estimates including historical matters related provisions, the assumptions within the property, plant and equipment and intangible impairment assessments, and the assumptions underpinning the defined benefit pension obligation; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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

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

Use of this report

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

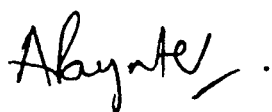
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Andrew Paynter (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

17 August 2022

Consolidated Income Statement

for the 52 weeks ended 27 March 2022 and 52 weeks ended 28 March 2021

	Note	2022 £m	2021 £m (Restated)*
Revenue from contracts with customers	2	834	815
Costs		(796)	(793)
Costs – investment spend	5	(28)	(29)
Costs – exceptional items	4	(90)	(626)
Total costs		(914)	(1,448)
Other operating income		1	3
Funding for exceptional items	4	6	-
Network Subsidy Payment		50	50
Depreciation, amortisation and impairment	4,5	(104)	(126)
Share of post-tax profit/(loss) from joint venture	11	3	(7)
Operating loss from continuing operations	4	(124)	(713)
Operating loss before exceptional items from continuing operations		(40)	(87)
Finance costs	7	(7)	(7)
Loss before taxation from continuing operations		(131)	(720)
Taxation credit	8	1	1
Loss for the financial year from continuing operations		(130)	(719)
Profit after taxation for the financial year from discontinued operation	21	-	58
Loss for the financial year		(130)	(661)

*See note 26 for detail of which line items have been restated.

For the year ended 27 March 2022 trading profit was £42 million (2021: £35 million).

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

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 27 March 2022 and 28 March 2021

	Note	2022 £m	2021 £m (Restated)*
Loss for the financial year from continuing operations		(130)	(719)
Profit for the financial year from discontinued operations	21	-	58
Items that may be reclassified to profit or loss			
Loss on cash flow hedge	17	-	(2)
Items that will not be reclassified to profit or loss			
Re-measurements on defined benefit surpluses	18	1	-
Total other comprehensive income/(expense)		1	(2)
Total comprehensive expense for the year		(129)	(663)

*See note 26 for detail of which line items have been restated.

There are no additional other comprehensive income items (2021: £nil) that will be reclassified to the profit and loss in future periods.

Consolidated Statement of Cash Flows

for the 52 weeks ended 27 March 2022 and 28 March 2021

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Operating loss before investment spend and exceptional items	25	(12)	(39)
Adjustment for:			
Share of (profit) / loss from joint venture	11	(3)	7
Depreciation and amortisation	9,10	104	124
Pension defined contribution charge	18	13	11
Other (losses)/gains		(1)	2
Working capital movements:		24	94
Increase in trade and other receivables (excluding exceptional funding)		(8)	(9)
Decrease in contract assets		-	2
Increase in trade and other payables		33	98
Decrease in inventories		1	-
(Decrease)/increase in trading provisions		(2)	3
Pension contributions paid		(12)	(18)
Net payment in respect of investments and exceptional items:		(123)	(115)
Restructuring and other exceptional costs		(129)	(114)
Funding for exceptional costs		6	-
Litigation costs – GLO		-	(1)
Net cash (outflow)/inflow from operating activities		(10)	66
Cash flows from investing activities			
Dividends received from joint ventures	11	-	14
Proceeds from sale of discontinued operation	21	-	59
Proceeds from the sale of property, plant and equipment		5	9
Purchase of tangible non-current assets	10	(10)	(9)
Purchase of intangible non-current assets	9	(45)	(27)
Net cash (outflow)/inflow from investing activities		(50)	46
Cash (outflow)/inflow before financing activities		(60)	112
Cash flows from financing activities			
Share issue	19	125	-
Finance costs paid		(5)	(4)
Lease capital	20	(11)	(12)
Lease interest	20	(2)	(2)
Proceeds from new borrowings	15	52	-
Net repayments of borrowings from BEIS	15	(97)	(191)
Net cash inflow(outflow) from financing activities		62	(209)
Net increase/(decrease) in cash and cash equivalents		2	(97)
Cash and cash equivalents at the beginning of the year	13	365	462
Cash and cash equivalents at the end of the year	13	367	365

Consolidated Balance Sheet

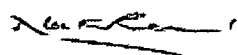
at 27 March 2022 and 28 March 2021

	Note	2022 £m	2021 £m (Restated)*
Non-current assets			
Intangible assets	9	178	191
Property, plant and equipment	10	127	149
Investments in joint venture	11	49	46
Retirement benefit surplus	18	1	1
Trade and other receivables	12	11	10
Total non-current assets		366	397
Current assets			
Inventories		1	2
Trade and other receivables	12	274	268
Cash and cash equivalents	13, 17	367	365
Total current assets		642	635
Total assets		1,008	1,032
Current liabilities			
Trade and other payables	14	(541)	(505)
Financial liabilities - interest bearing loans and borrowings	15	(329)	(426)
Provisions	16	(201)	(54)
Total current liabilities		(1,071)	(985)
Non-current liabilities			
Other payables	14	(42)	(43)
Financial liabilities - interest bearing loans and borrowings	15	(52)	-
Provisions	16	(567)	(724)
Total non-current liabilities		(661)	(767)
Net liabilities		(724)	(720)
Equity			
Share capital	19	-	-
Share premium	19	590	465
Accumulated losses		(1,316)	(1,187)
Other reserves	19	2	2
Total equity		(724)	(720)

*See note 26 for detail of which line items have been restated.

The notes on pages 79 to 129 form an integral part of the consolidated financial statements.

The financial statements on pages 74 to 129 were approved by the Board of Directors on 17 August 2022 and signed on its behalf by:



N Read

Chief Executive Officer

Post Office Limited

Consolidated Statement of Changes in Equity

for the 52 weeks ended 27 March 2022 and 28 March 2021

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

	Note	Share capital £m	Share premium £m	Accumulated losses £m	Other reserves £m	Total equity £m
At 30 March 2020		-	465	(526)	4	(57)
Loss for the year (Restated)	26	-	-	(661)	-	(661)
Other comprehensive expense		-	-	-	(2)	(2)
At 28 March 2021 (Restated)*		-	465	(1,187)	2	(720)

*See note 26 for detail of which line items have been restated.

Notes to the Financial Statements

1. Accounting Policies

Financial year

The financial year ends on the last Sunday in March and for this reason these financial statements are made up for the 52 weeks ended 27 March 2022 (2021: 52 weeks ended 28 March 2021).

Basis of preparation

The Group financial statements on pages 74 to 129 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. Unless otherwise stated in the accounting policies below, the financial statements have been prepared under the historic cost accounting convention.

The financial statements have been prepared on a going concern basis. This basis is predicated on the assumption that Government will continue to provide support to the Group as required. A material uncertainty has been identified in respect of this assumption, specifically in relation to several potentially material future cash outflows which may or may not arise and for which Government funding is not at this point guaranteed. Further details can be found in the going concern assessment on pages 80 to 84.

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

The Company is incorporated and domiciled in the United Kingdom. The Group consolidated financial statements are presented in sterling and all values are rounded to the nearest £ million except where otherwise indicated. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Discontinued operations

During 2020/21, the Group disposed of the Telecoms operation, which represented a separate line of business. The net results of the Telecoms operation, up until disposal, are presented as discontinued operations in the Group consolidated income statement in the prior year – see note 21 for further details.

Prior year restatement

See note 26 for details regarding the prior year restatement in relation to funding by Government of the liabilities for Historical Matters.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings as at 27 March 2022. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. A separate set of financial statements has been prepared for both Post Office Management Services Limited (subsidiary, registered address: Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ) and Payzone Bill Payments Limited (subsidiary, registered address: Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ) for the 52 weeks ended 27 March 2022.

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

New and amended standards

New standards and interpretations applied

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

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – phase 2;
- Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient.

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

New and revised standards and interpretations not applied

There are a number of new and revised IFRSs that have been issued but are not yet effective. Of these, there are none that are expected to have a material impact on the net assets, results and disclosures of the Group.

Basis of preparation – going concern

After careful consideration of the plans for the coming years, factoring in the continued support of Government, we are satisfied that the Group (being the Group of companies headed by Post Office Limited) will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern position the Board has considered the Group's financial forecasts for a period of 15 months from the date of approval of these financial statements.

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

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

- HSS: A provision of £172 million has been recognised (2021: £150 million). Guaranteed Government funding in excess of this level is in place through to March 2024. As outlined in the critical accounting estimates section on pages 84 and 85, significant estimation uncertainty around this provision balance remains, however we believe the level of funding agreed should be adequate.
- OHC: A provision of £487 million has been recognised (2021: £502 million) after adjusting for the impact of discounting of £21 million (2021: £nil). In 2021/22 Government committed to provide funding of up to £780 million, which is in excess of the current estimated liability. As outlined in the critical accounting estimates section on page 85 and 86, significant estimation uncertainty around this provision balance remains, however we believe the level of funding agreed should be adequate.
- Postmaster Remediation: A provision of £62 million has been recognised (2021: £59 million). However, the Directors also recognise there is the potential for further liabilities to arise in future years should ongoing reviews identify any further areas of potential redress. See critical accounting estimates section on page 86.

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

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

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

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

Having reviewed the Group's going concern position for the period to 15 months from the date of approval of these financial statements and taking the Shareholder support into account, the Board has concluded that the Group is a going concern and can continue to settle its liabilities as they fall due. As part of this assessment, the Board considered the net liability position of the Group, created by the recognition of the HSS, OHC and Postmaster Remediation provisions, for which there is no corresponding recognition of the funding, in line with accounting standards and the accounting policy adopted.

The lack of a formal signed agreement for continued Government support represents a material uncertainty which may cast a significant doubt on the Group's and Company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

Performance and position

In recent years, facilitated by continued Government support, the Group has been on a transformational journey which has enabled it to become profitable at a trading level, see note 24 regarding alternative performance measures. However, the ongoing impact of the COVID-19 pandemic, notably on the travel business, along with increasing inflationary cost pressures for the Group and Postmasters alike, continues to impact profitability. These pressures, when combined with the removal of trading profit contribution from the Telecoms business following its sale in 2020/21, mean that despite the Group remaining profitable at a trading level this is not to the same levels as those seen in 2019/20.

However, trading profit has increased year on year, from £35 million in 2020/21 to £42 million in 2021/22 and the overall cash position has remained consistent year on year at £367 million (2021: £365 million). During the early stages of 2020/21, reduced trading activity resulted in a notable decline in cash transactions, leading to significant reduction in security headroom and a security headroom waiver was obtained from BEIS for the period 30 April 2020 through to 28 June 2020. Although ultimately the waiver was not required. No such requirement arose in 2021/22 and there are no forecast breaches. However, the position from 2020/21 has provided the Directors with comfort that should short-term headroom breaches be forecast, the funding facilities should still be available, subject to further waivers being granted. At its lowest point, security headroom reduced to £103 million in December 2021.

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

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

Funding – traditional

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

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

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

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

The agreed Government funding which falls within the going concern period under review includes: £185 million investment funding for the three year period 2022/23 through to 2024/25; £150 million Network Subsidy Payment for the same three year period; and the existence of the £950 million working capital facility and £50 million same-day liquidity facility. The £950 million working capital facility was recently extended to 31 March 2025.

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

When compared with the forecasted future cashflows of the Group and considering severe but plausible downside trading scenarios, including the ongoing impact of the COVID-19 pandemic, the level of funding available to support regular operations, including the impact of inflationary rises, and continued development

of the organisation is deemed adequate. From the perspective of traditional funding, the Group can therefore be considered a going concern.

Funding – exceptional and contingent

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

- **HSS:** Payments due to be made to claimants as part of the HSS. A provision of £172 million has been recognised, increased from £150 million in 2020/21. Government funding in excess of the current provision is in place. Post Office will fund a significant portion of the payments before drawing down on Government funding.
- **OHC:** Compensation payments to be made in respect of civil claims following the overturning of historical criminal convictions. A provision of £487 million has been recognised (2021: £502 million), representing management's best estimate of potential future payments to claimants. Government has agreed to provide funding up to £780 million in respect of these payments.
- **Postmaster Remediation:** Payments to be made to Postmasters as financial redress in respect of historical policies and processes. A provision of £62 million has been recognised (2021: £59 million), representing management's best estimate of potential future payments to eligible Postmasters who did not receive remuneration during periods of suspension before March 2019, when this policy changed. Government has provided a comfort letter stating its intention to ensure the provision of support in respect of these liabilities and as such management has assumed this financial support will be forthcoming as part of their going concern assessment. The Directors acknowledge that as the Group continues to review its historical policies and processes further associated liabilities may arise, in addition to suspension remuneration, and the impact of those liabilities could fall within the going concern period.

Where provisions have been recognised in respect of the above, there is a significant level of management estimate included in the provision calculations, which is explained further within the critical accounting estimates section on pages 84 to 86. As such, the quantum and timing of potential cash outflows could vary materially from the estimates made.

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

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

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

Management has made the assessment that support from Government will continue to be made available, as recently evidenced by the renewed traditional funding arrangements, the extension of the £950 million working capital facility through to 31 March 2025 and the agreement to fund HSS and OHC.

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

The position the Group faced in 2020/21 remains the same with regards to uncertainties and reliance on Government, with the existence of potentially material future cash outflows associated with Postmaster Remediation, for which funding is not guaranteed as well as the potential for HSS and OHC related settlements to exceed amounts already guaranteed by Government. There also remains uncertainty around what role Post Office may play in the process for providing compensation to GLO claimants in line with Government's announced intentions, and to what extent this will impact our future cashflows.

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

Critical accounting estimates and judgements in applying accounting policies

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

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

Critical accounting estimates:

Historical Shortfall Scheme

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

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

The HSS launched on 1 May 2020 and officially closed for applications on 27 November 2020. As at 31 July 2022, the HSS had received 2,370 eligible applications from current and former Postmasters. Of these 87% are partly or wholly quantified. Settlement offers have been issued to 1,729 claimants and of these 1,353 have been settled which equates to c. 13% of the provision value.

A provision of £172 million (2021: £150 million) has been retained in respect of the HSS, with the increase being due to revisions to the estimated volume and value of claims to be settled, offset by payments made in year. This represents management's best estimate of the most likely outcome of the potential future payments associated with the claims. The provision requires a number of significant estimates and assumptions by

management, with the level of estimation risk increased as a result of the volume and range of claims received and the early stage of the settlement process.

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

Analysis performed over the assumptions used indicates a wide range of possible outcomes, with the upper range indicating that the cost of payments could double when compared with that recognised as a provision, to in excess of £300 million. If the estimated average payment value per claim increased/decreased by 10%, as compared to the average value assumed in arriving at the provision calculation, the provision would increase/decrease by £18 million and could have a further highly material impact on the financial statements.

Government has confirmed it will provide sufficient financial support to Post Office to ensure that the scheme can continue, based on current expectations of the potential cost. As outlined above, significant uncertainty around the provision balance remains, however we believe the level of funding agreed should be adequate. In 2020/21 an asset of £64 million was recognised in respect of the portion of the HSS provision to be funded by Government, based on estimates at that time. The difference between the provision and asset value would be funded by Post Office through its trading cashflows and cashflows from the sale of the Telecoms business. During 2021/22, the Directors reassessed the treatment pertaining to the funding by Government of the liabilities for Historical Matters and concluded that a more appropriate treatment would be to recognise an asset only when the quantum for each specific claim settlement becomes virtually certain. This is due to the current significant estimation uncertainty associated with settlement cashflows. As such, in 2021/22 application of this reassessment resulted in the previously recognised asset being derecognised and the prior year comparatives being restated. See note 26 to the financial statements for further details.

Overturned Historical Convictions

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

A provision of £487 million (2021: £502 million) has been recognised in respect of the Overturned Historical Convictions which represents the present value of the estimated future payments. This represents management's latest and best estimate of the most likely outcome of the potential future payments associated with civil claims which may be received, assessed across the whole population of potential claimants. The provision requires a number of significant estimates and assumptions by management, with the level of estimation risk increased as a result of the early stage of the proceedings.

Given the volume of and uncertainty around the number of potential claimants, the spread of potential claim values and the early stage of the process, with no payments having been made except for a small number of interim payments, there is a significant level of estimation uncertainty. In estimating the provision, management have made two key estimates: the number of claimants to whom payment will be made and the potential average value of payments to be made. The assumptions used are subjective, but represent management's best estimate based on advice from external legal advisors. The potential outcomes are wide ranging, with analysis indicating the provision could increase or decrease by a material level if key assumptions were altered and could have a further highly material impact on the financial statements. A 20% change in the key assumptions could lead to an increase / decrease of c. 40% in the provision level. In accordance with paragraph 92 of IAS 37, detailed information in respect of the key assumptions underpinning this provision as required by

the standard has been excluded on the grounds that the Directors consider that it would be seriously prejudicial to individual settlement discussions which need to take place on a case by case basis.

Government has confirmed it will provide financial support in respect of future payments arising as part of the OHC. Should the future payments exceed the current funding level guaranteed by Government of £780 million, additional support will be sought from Government. See the Going Concern section on pages 80 to 84 for further details surrounding Government support. During 2021/22, £6 million (2021: £nil) of interim payments were made resulting in utilisation of the provision and recognition of funding being recognised through exceptional items, as presented in note 4.

Postmaster Remediation – suspension remuneration

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

A provision of £62 million (2021: £59 million) has been recognised at the balance sheet date. This represents management's best estimate of the potential future payments to eligible Postmasters whose contract with Post Office Limited was suspended before March 2019. A number of significant estimates and assumptions have been made in deriving the accounting provision. The primary estimates are the number of eligible Postmasters who may receive a payment and the average value of such potential payments.

As the redress process is currently being worked through and formal funding arrangements are still to be finalised, no trends or patterns exist on which management can utilise when forming its estimates. As such, many of the assumptions are subjective and therefore the eventual outcome could vary significantly to that which has been estimated. In accordance with paragraph 92 of IAS 37, detailed information in respect of the key assumptions underpinning this provision as required by the standard has been excluded on the grounds that the Directors consider that it would be seriously prejudicial to individual settlement discussions which need to take place on a case by case basis.

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

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

Key assumptions used in impairment tests for non-current assets

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

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

Where appropriate, an impairment loss is recognised in the income statement for the amount by which the carrying value of the asset or cash generating unit ("CGU") exceeds its recoverable amount. The recoverable amount is determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on three-year financial forecasts approved by management, factoring in current economic circumstances such as inflationary pressures and challenges such as the recovery out of the COVID-19 pandemic. Where applicable, cash flows beyond this period are extrapolated using estimated growth rates.

Refer to notes 9 and 10 for the results of the latest impairment tests, including sensitivity analysis where relevant.

Actuarial assumptions

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

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

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

Property provisions

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

Critical accounting judgements:

Pension schemes

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

Network Programmes

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

Cash generating units ("CGU")

Post Office has determined that it has two CGUs: Post Office Limited and Post Office Management Services Limited. Post Office Management Services Limited is a standalone entity with an identifiable asset base and therefore is deemed to be one CGU. Post Office runs a national network of branches which provide a distinct retail offering, resulting in a fluid customer base across the network. As such the network as a whole is deemed to be one CGU.

CGU impairment review – network subsidy payments

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

Going concern assumption

A key judgement is required as to whether support will be provided by Government, to a level which allows the Group to settle its liabilities as they fall due, incorporating potential future cash outflows in respect of significant one off items which may or may not occur. The judgement that support will be provided by Government, to the

extent no formal guarantees are in place, has been made by management, as outlined within the going concern section, from page 80 to 84, and fundamentally impacts the going concern decision made.

Revenue from contracts with customers

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

Mails, Retail & Government Services

Mails

The Group provides Mails support services to Royal Mail and Parcelforce. Each Mails product and service has an associated transaction price. The transaction price may vary due to the volume transacted in the period. Revenue from providing Mails support services is recognised in the accounting period in which the services are rendered.

Retail

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

Government Services

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

Banking, Payments & Transactional Services

Banking

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

Payment & Transactional Services

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

Financial Services, Identity Services & Insurance

Financial Services

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

Identity Services

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

Insurance

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

Telecoms

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

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

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

Accrued and deferred income

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

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

Other income

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

Other income also includes commission income relating to Government Services.

Exceptional costs

Exceptional items are significant, one off-items which management consider require separate disclosure within the financial statements in order to enhance understanding of the financial performance of the Group. Exceptional items include legal fees and settlement costs for ongoing litigation and one-off costs associated with the COVID-19 pandemic. Refer to note 4 for further details.

Exceptional funding

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

Investment spend

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

Investment funding

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

Leases

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

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

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

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

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

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

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

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

Taxation

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

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

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

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised.

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

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

Borrowings

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

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

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

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

Investments in joint ventures

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

Property, plant and equipment

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

Property, plant and equipment is recognised at cost, including attributable costs in bringing the asset into working condition for its intended use. These assets are depreciated on a straight-line basis over the following useful lives:

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

Freehold property, long leasehold property and land:

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

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

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

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

Leased assets:

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

Intangible assets

Goodwill:

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

Software:

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

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

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research and development:

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

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

The Group revised its accounting policy in relation to configuration, customisation and access costs incurred in SaaS arrangements in the prior year, following the IFRS IC agenda decision in March 2021. The Group adopted the treatment set out in the IFRS IC agenda decision and such costs are recognised as expenses in the income statement when the services are received. The Group may incur related costs for the development of software code that enhances the capability of existing Group controlled software. Where such costs lead to future economic benefit and meet all other recognition criteria for an intangible asset as set out in IAS 38, they are recognised as intangible assets and amortised over the useful economic life of the software.

Intangible assets with a finite useful life:

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

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

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

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

The subsidiary Post Office Management Services Limited holds fiduciary cash balances, these are held on trust on behalf of third parties, see note 13 for details.

Pensions and other post-retirement benefits

Membership of occupational pension schemes is open to most permanent UK employees of the Group.

The Group is the principal employer of the Post Office Section of the Royal Mail Pension Plan ("RMPP") and is a participating employer within the Royal Mail Senior Executives Pension Plan ("RMSEPP"). RMPP and RMSEPP

are both defined benefit plans closed to new members and closed to future accrual. All members of these plans are contracted out of the earnings-related part of the State pension scheme.

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

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

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

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

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

Bonus plans – short-term incentives

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

Bonus plans – long-term incentives

Long-term incentive awards are made annually and are cash settled if performance is achieved over a 3-year cycle. Performance measures are drawn from the Post Office Strategic Plan agreed with BEIS. The Group recognises a liability and an expense for long-term incentives as milestones are hit.

Foreign currencies

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

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

Provisions

Provisions are recognised when; the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Due to the nature of provisions the future amount settled may be different from the amount that has been provided. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate. The Group has considered the provisions recognised in the balance sheet and adjusted for the impact of discounting where material to the financial statements.

Financial instruments

Initial measurement of financial instruments

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

Subsequent measurement of financial assets

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

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

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

Subsequent measurement of financial liabilities

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

Derecognition of financial assets

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

Derecognition of financial liabilities

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

Derivatives and hedging activities

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

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

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

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

Cash flow hedges that qualify for hedge accounting

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

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

2. Revenue from contracts with customers

All Group sales occur in the UK. The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

Revenue segments	2022 £m	2021 £m
Mails, Retail & Government Services	411	445
Banking, Payments & Transactional Services	329	306
Financial Services, Identity Services & Insurance	82	52
Other*	12	12
Total revenue	834	815

* Principally relates to Supply Chain income of £9 million (2021: £9 million) predominantly for warehousing of Royal Mail stock, transport of high value mails and release of Bank of Ireland deferred income of £2 million (2021: £2 million). The remaining £1 million (2021: £1 million) is made up of individually immaterial revenue balances.

3. Staff costs and numbers

Employment and related costs were as follows:

People costs (excluding investments):	2022 £m	2021 £m
Wages and salaries	136	137
Social security costs	15	15
Pension costs (note 18)	13	11
Total people costs (excluding investments)	164	163

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

Period end and average monthly employee numbers were as follows:

	Period end employees		Average monthly employees	
	2022	2021	2022	2021
Total employees	3,380	3,449	3,415	3,556

Total employee numbers can be categorised as follows:

	Period end employees		Average monthly employees	
	2022	2021	2022	2021
Administration	1,258	1,172	1,215	1,131
Directly managed branches ("DMB")	1,242	1,390	1,316	1,491
Supply Chain	775	769	772	792
Network programmes	-	-	-	16
Post Office Management Services	34	42	38	42
Payzone	71	76	74	84
Total	3,380	3,449	3,415	3,556

4. Operating loss

The following items are included within operating loss:

	2022 £m	2021 £m (Restated)*
Postmasters' remuneration	392	412
People costs (excluding investments)	164	163
Depreciation and amortisation	104	118
Cost of inventories recognised as an expense	1	1
Profit on disposal of fixed assets	(3)	(4)
Exceptional items:	£m	£m
• Historical Shortfall Scheme	65	26
• Overturned Historical Convictions	4	524
• Postmaster Remediation	3	59
• Inquiry	12	-
• Group Litigation Order	-	1
• COVID-19 pandemic	-	9
• Other Legal	6	7
Funding for exceptional items:	£m	£m
• Overturned Historical Convictions funding	(6)	-
Fees payable to the Group's auditors for audit and other services:	£'000	£'000
• parent Company and Group audit	969	1,035
• audit of subsidiaries	110	110
• other assurance services	156	104
• other non-audit services	9	19

*See note 26 for details regarding the prior year restatement.

Exceptional costs:

Exceptional costs of £90 million (2021: £626 million) were recognised in the year. This includes Historical Matters related costs of £84 million (2021: £610 million) broken down as follows:

- Historical Shortfall Scheme ("HSS") costs relate to legal costs and costs to run the scheme of £36 million (2021: £26 million) and an increase in the provision value of £39 million offset by a release of £10 million (2021: £3 million release).
- Overturned Historical Convictions ("OHC") costs relate to legal costs and costs to run the scheme of £13 million (2021: £22 million) and a decrease in the provision value of £9 million (2021: £524 million increase).
- Postmaster Remediation provision increase of £3 million to £62 million (2021: £59 million).
- Inquiry related costs of £12 million (2021: £nil) relating to Sir Wyn's public Inquiry into the Horizon IT scandal which was placed onto a statutory footing and began its oral hearings in February 2022.

Other legal relates to costs of defending the Employment Tribunal of £6 million (2021: £7 million).

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

Exceptional funding:

Funding for exceptional items of £6 million was recognised in the year (2021: £nil restated) in line with agreed Government funding for Historical Matters.

Fees payable to the Group's auditors:

Non-audit services are £9,000 (2021: £19,000) and relate to a service contracted prior to PwC's formal appointment as financial statement auditors in 2019 and the service has ceased prior to 2021/22 year-end. The parent Company and Group audit fee for 2021/22 includes £100,000 additional billing for the 2020/21 audit, billed during 2021/22 (2021: £150,000 additional billing for the 2019/20 audit).

5. Investment spend

	2022 £m	2021 £m
Restructuring:		
Business transformation	(6)	(6)
Network programmes	(9)	5
IT transformation	(11)	(12)
Severance	(2)	(16)
Total restructuring costs	(28)	(29)
Impairment of intangible assets (note 9)	-	(8)
Total investments charge	(28)	(37)

Restructuring: Restructuring costs are transformational spend incurred in order to implement major change programmes. Business transformation is an overarching programme that will transform the business, driving Post Office toward commercial sustainability through technological innovation and the fundamental re-envisaging of long-term contracts. Network programmes is a multi-year initiative designed to simplify the retailer proposition, with key areas of focus being simplification and automation. IT transformation includes programmes to restructure our IT operating model and overhaul legacy back office systems, transitioning to a cloud-based architecture.

Impairment: See note 9.

6. Directors' emoluments

No Directors were accruing pension entitlements during the period (2021: none).

Disclosures required by the Companies Act 2006 in relation to Directors' emoluments are provided on pages 37 to 46.

7. Finance costs

	2022 £m	2021 £m
Interest payable on loans	(3)	(3)
Finance charges	(4)	(4)
Total – net finance costs	(7)	(7)

8. Taxation

(a) Taxation recognised in the year

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

	2022 £m	2021 £m
Current income tax:		
Corporation tax credit for year	(1)	(1)
Deferred income tax:		
Deferred tax income relating to the utilisation of losses brought forward	-	-
Taxation credit	(1)	(1)

The current income tax credit recognised in the income statement is £1 million (2021: £1 million).

The deferred income tax result recognised in the income statement is £nil (2021: £nil).

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

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

(b) Factors affecting current tax credit on loss

As in 2021, the tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m Restated*
Loss before taxation from continuing operations	(131)	(720)
Profit before taxation from discontinued operations	-	58
Total loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(25)	(126)
Effect of unutilised losses carried forward	33	125
Adjustments to tax charge in respect of previous periods	1	-
Research and development tax credit	(1)	-
Increase in tax charge as a result of change in unrecognised deferred tax assets	1	11
Surrender of tax losses to joint venture	1	-
Expenses not deductible for tax purposes	4	1
Income not taxable	(12)	(10)
Fixed asset differences	(3)	(2)
Taxation credit	(1)	(1)

*See note 26 for details regarding the prior year restatement.

(c) Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2022 £m	2021 £m	2022 £m	2021 £m
Acquired intangible assets	(1)	-	(1)	-
Tax losses	1	-	1	-
Deferred tax assets / (liability)	-	-	-	-
Deferred tax (expense) / income	-	-	-	-

In the current year, a deferred tax liability of £1 million (2021: £nil) was recognised in relation to the acquisition of intangible assets as part of the 2018/19 business combination, with a corresponding deferred tax asset of £1 million (2021: £nil) recognised for the value losses up to the same liability (2021: £nil).

The Group has significant tax losses which are available indefinitely for offsetting against future taxable profits. As at the balance sheet date no deferred tax asset has been recognised in relation to these tax losses (2021: £nil).

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

(d) Factors that may affect future tax charges

The Group has unrecognised deferred tax assets of £480 million (2021: £348 million), comprising £327 million (2021: £338 million) relating to tax losses that are available to offset against future taxable profits, £15 million (2021: £10 million) relating to fixed asset timings, £137 million (2021: £nil) relating to temporary differences on provisions and £1 million (2021: £nil) relating to temporary differences on pension relief. The Group has considered future trading conditions and determined that there is uncertainty as to whether there will be sufficient taxable profits in the future against which the assets could be utilised.

The Group has rolled over capital gains of £2 million (2021: £2 million); no tax liability would be expected to crystallise should the assets into which the gains have been rolled be sold at their residual value, as it is anticipated that a capital loss would arise.

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

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly.

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

9. Intangible assets

	Software	Goodwill	Other intangibles	Total
	£m	£m	£m	£m
Cost				
At 30 March 2020	566	53	13	632
Reclassification	(3)	-	-	(3)
Additions	35	-	-	35
Disposals	(12)	(1)	(6)	(19)
Adjustments	(13)	-	-	(13)
At 28 March 2021	573	52	7	632
Additions	44	-	-	44
Disposals	(61)	-	-	(61)
At 27 March 2022	556	52	7	615
Accumulated amortisation				
At 30 March 2020	364	17	4	385
Amortisation	70	-	3	73
Impairment	-	8	-	8
Disposals	(11)	-	(6)	(17)
Adjustments	(8)	-	-	(8)
At 28 March 2021	415	25	1	441
Amortisation	57	-	-	57
Disposals	(61)	-	-	(61)
At 27 March 2022	411	25	1	437
Net book value				
At 27 March 2022	145	27	6	178
At 28 March 2021	158	27	6	191

Included within software in the above table are assets under construction of £64 million (2021: £37 million).

Other intangibles include customer relationships, merchant relationships and brands.

Additions to software relate to IT transformation projects undertaken during the current year. These include capitalised development costs being an internally generated intangible asset.

In the current year, the useful lives of some software intangible assets have been extended whilst others have been reduced to better reflect expected usage. This change in accounting estimate is within the range of asset lives stated on page 93 and did not result in a net adjustment to amortisation in the year (2021: £15 million).

Goodwill and intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Management determined that no impairment was necessary for the current year in relation to goodwill (2021: £8 million), software (2021: £nil) or other intangible assets (2021: £nil). Refer to note 10 for details of impairment reviews performed during the year over cash generating units.

In the prior the year, the Group revised its accounting policy in relation to configuration, customisation and access costs incurred in SaaS arrangements, following the IFRS Interpretations Committee agenda decision in March 2021. The prior year impact of this change in accounting treatment was assessed and was found to be immaterial, as such this change was accounted for prospectively, resulting in an additional charge of £5 million in the 2020/21 income statement in respect of brought forward intangible assets. The impact on intangible assets is shown within adjustments in the above table.

Amortisation rates are disclosed on page 93 within the accounting policies note.

10. Property, plant and equipment

	Land and buildings						
	Freehold £m	Long leasehold £m	Short leasehold £m	Motor vehicles £m	Plant and machinery £m	Fixtures and equipment £m	Total £m
Cost							
At 30 March 2020	33	60	56	28	2	843	1,022
Reclassification	-	-	1	-	-	2	3
Additions	1	-	1	1	-	6	9
Right-of-use additions	-	2	7	-	-	-	9
Disposals	(3)	(6)	(3)	(1)	-	(23)	(36)
Right-of-use disposals	-	(9)	(5)	-	-	-	(14)
At 28 March 2021	31	47	57	28	2	828	993
Reclassification*	-	(9)	9	-	-	-	-
Additions	1	1	1	-	-	9	12
Right-of-use additions	-	2	14	-	1	-	17
Disposals	(4)	(1)	(1)	(2)	-	(6)	(14)
Right-of-use disposals	-	(2)	-	-	-	-	(2)
At 27 March 2022	28	38	80	26	3	831	1,006
Accumulated depreciation							
At 30 March 2020	24	17	25	24	2	731	823
Reclassification	-	-	-	-	-	1	1
Depreciation	1	2	-	-	-	38	41
Right-of-use asset depreciation	-	-	9	1	-	-	10
Right-of-use impairment reversal	-	(2)	(1)	-	-	-	(3)
Disposals	(3)	(4)	(3)	(1)	-	(16)	(27)
Right-of-use disposals	-	(1)	-	-	-	-	(1)
At 28 March 2021	22	12	30	24	2	754	844
Reclassification*	-	(5)	5	-	-	-	-
Depreciation	1	4	1	-	-	30	36
Right-of-use asset depreciation	-	-	10	1	-	-	11
Disposals	(3)	-	-	(2)	-	(7)	(12)
At 27 March 2022	20	11	46	23	2	777	879
Net book value							
At 27 March 2022	8	27	34	3	1	54	127
At 28 March 2021	9	35	27	4	-	74	149

*During the current year, a review of property, plant and equipment took place and resulted in reclassifications between categories to give a more appropriate representation of the nature of the assets.

Included within fixtures and equipment in the above table are assets under construction of £7 million (2021: £4 million).

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

Depreciation rates are disclosed on pages 91 and 92 within the accounting policies note. No depreciation is provided on freehold land, which represents £1 million (2021: £1 million) of the total cost of freehold land and buildings as included in the table above.

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

Post Office has determined that it has two CGUs: Post Office Limited and Post Office Management Services Limited. Post Office Management Services Limited is a standalone entity with an identifiable asset base and therefore is deemed to be one CGU. Post Office Limited runs a national network of branches which provide a distinct retail offering, resulting in a fluid customer base across the network. As such the network as a whole is deemed to be one CGU.

The discounted net cash flows from the value in use calculations were used to determine the recoverable amount of the CGU's identified, being Post Office Limited and Post Office Management Services Limited. Value in use is determined using the Group's net cash inflows from the continued use of the assets within each CGU over a three-year period and then continued into perpetuity, with no nominal growth rate assumed outside of this period. Pre-tax discount rates for Post Office Limited of 8.7% (2021: 9.3%) and for Post Office Management Services Limited of 10% (2021: 10%) have been used to discount the forecasted cash flows.

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

A key assumption with the Post Office Limited CGU impairment review is that Network Subsidy Payments ("NSP") which are received from Government to contribute to the costs of Post Office making available the network of public post offices that the Secretary of State for BEIS considers appropriate, will continue into perpetuity. If NSP were excluded an impairment of approximately £250 million could arise, assuming the network of Post Office's is not fundamentally altered. This is deemed an unlikely scenario given there is a balance between maintaining the network and receiving appropriate funding, with the removal / reduction in the latter impacting the former.

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

11. Investments in joint venture

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

Joint venture

During the current and prior year, the Group's only joint venture investment was a 50% interest (1000 £1 ordinary A shares) in First Rate Exchange Services Holdings Limited, whose principal activity is the provision of foreign currency exchange services. First Rate Exchange Services Holdings Limited ("FRESH") is a company registered in the United Kingdom. The registered address of FRESH is Great West House, Great West Road, Brentford, Middlesex, TW8 9DF.

The principal activity of FRESH is the supply of foreign currency in the UK, which complements the Group's operations and contributes to achieving the Group's overall strategy. The principal risks of the Group are disclosed on pages 53 to 57.

The financial year-end date of FRESH is 31 March. For the purposes of applying the equity method of accounting, the financial statements of FRESH for the year ended 31 March 2022 have been used; this is considered appropriate given the proximity of this year-end date to the Group's own year-end date of 27 March 2022.

	2022 Joint venture £m	2021 Joint venture £m
Share of net assets		
Total net investment at 28 March 2021, 29 March 2020	46	67
Share of post-tax pre dividend profit/(loss)	3	(7)
Dividend	-	(14)
Total net investment at 27 March 2022, 28 March 2021	49	46
	2022 Joint venture £m	2021 Joint venture £m
Share of assets and liabilities:		
Receivables	218	158
Cash and cash equivalents	11	8
Non-current assets	5	8
Share of gross assets	234	174
Current liabilities	(183)	(128)
Share of net assets	51	46
Share of revenue and profit/(loss):		
Revenue	34	17
Profit/(loss) after tax	3	(7)

12. Trade and other receivables

	2022 £m	2021 £m (Restated)*
Current:		
Trade receivables	74	52
Accrued income	61	67
Prepayments	22	18
Client receivables	103	112
Other receivables	14	19
Total	274	268
Non-current:		
Accrued income	4	4
Other assets	6	5
Other receivables	1	1
Total	11	10

*See note 26 for details regarding the prior year restatement.

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

£nil (2021: £nil) has been recognised within current prepayments for costs incurred to fulfil contracts. Non-current other receivables constitute costs incurred to fulfil contracts, in both the current and prior year.

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

27 March 2022	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	81%	
Gross carrying amount - £m	66	2	1	26	95
Loss allowance - £m	-	-	-	21	21

28 March 2021	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	91%	
Gross carrying amount - £m	46	3	1	23	73
Loss allowance - £m	-	-	-	21	21

There is a loss allowance in the current, more than 30 days and more than 60 days ageing categories, however it is immaterial for disclosure.

The closing loss allowance for trade receivables as at 27 March 2022 reconciles to the opening loss allowance as follows:

	2022 £m	2021 £m
Opening loss allowance	21	20
Increase in loss allowance	5	6
Receivables written off as uncollectible	(2)	(2)
Unused amounts reversed	(3)	(3)
Closing loss allowance	21	21

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

13. Cash and cash equivalents

	2022 £m	2021 £m
Cash in the Post Office Limited network	342	354
Short-term bank deposits	13	6
Fiduciary cash balances held on behalf of third parties	12	5
Total cash and cash equivalents	367	365

Cash in the Post Office Limited network represents the notes and coins in circulation in branches and cash centres. Refer to note 23 for further detail.

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

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

14. Trade and other payables

	2022 £m	2021 £m
Current:		
Trade payables	70	76
Accruals	106	103
Deferred income	23	9
Social security	6	8
Client payables	315	288
Lease liabilities	11	12
Capital accruals	10	9
Total	541	505
Non-current:		
Lease liabilities	42	39
Other payables	-	4
Total	42	43

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

15. Financial liabilities – interest bearing loans and borrowings

	2022 £m	2021 £m
Current:		
Department for Business, Energy and Industrial Strategy – facility	329	426
Total	329	426
Non-current:		
Department for Business, Energy and Industrial Strategy – fixed term loan	52	-
Total	52	-

Department for Business, Energy and Industrial Strategy - facility

The loan under the facility is short dated on a programme of liquidity management and matures within one day of drawdown (2021: one day). The fair value of borrowings approximates their carrying value due to the short-term maturities of the loan. On maturity it is expected that further loans will be drawn down under this facility. At 27 March 2022 the Group had an unused Working Capital Facility of £621 million (2021: £524 million). In addition, the Group has a further £50 million facility available from BEIS to provide same-day liquidity. This facility was undrawn at the year-end. The average interest rate on the drawn down loans is 0.63% (2021: 0.55%). The Working Capital Facilities were due to expire in March 2022 but were extended in 2020/21 through to March 2024. In July 2022 the £950 million facility was extended further, through to end of March 2025.

The facility is currently restricted to funding the cash and near cash items held within the Post Office Limited network.

The facility (including drawn down loans) is secured by a floating charge over all assets of Post Office Limited (excluding shares in FRESH and lease of any property which Post Office Limited is a tenant) and a negative pledge

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

Department for Business, Energy and Industrial Strategy – fixed term loan

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

16. Provisions

	HSS	OHC	Postmaster Remediation	Network Programmes	Property	Severance	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 28 March 2021	150	502	59	21	23	10	13	778
Charged to investment spend	-	-	-	-	3	7	-	10
Charged to exceptional items	39	12	3	-	-	-	-	54
Charged to trading	-	-	-	-	-	-	8	8
Utilisation	(7)	(6)	-	(4)	(4)	(10)	(5)	(36)
Provisions released in the year – investment spend	-	-	-	(2)	(3)	(4)	-	(9)
Provisions released in the year – exceptional items	(10)	-	-	-	-	-	-	(10)
Provisions released in the year – trading	-	-	-	-	-	-	(6)	(6)
Impact of discounting	-	(21)	-	-	-	-	-	(21)
At 27 March 2022	172	487	62	15	19	3	10	768

	HSS	OHC	Postmaster Remediation	Network Programmes	Property	Severance	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 27 March 2022								
Current	136	13	30	5	5	3	9	201
Non-current	36	474	32	10	14	-	1	567
	172	487	62	15	19	3	10	768
At 28 March 2021								
Current	6	7	-	9	12	10	10	54
Non-current	144	495	59	12	11	-	3	724
	150	502	59	21	23	10	13	778

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

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

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

Historical Matters related provisions of £721 million includes; £172 million (2021: £150 million) related to the Historical Shortfall Scheme provision which is management's best estimate of future payments to be made to the scheme's claimants, £487 million (2021: £502 million) related to the Overturned Historical Convictions provision which is management's best estimate of potential future payments to be made to claimants who may have / have had convictions overturned and £62 million (2021: £59 million) related to the Postmaster Remediation provision which is management's best estimate of future payments to be made to both current and former Postmasters who did not receive remuneration during periods of suspension. These provisions are subject to significant management estimation, see the critical accounting estimates section in note 1 for further details.

Other provisions of £10 million (2021: £15 million) includes; £6 million (2021: £11 million) for other network related provisions and £4 million (2021: £4 million) which sits within the subsidiary Post Office Management Services Limited and relates to the repayment of commission received in the event of the cancellation of insurance policies.

17. Financial assets and liabilities

a. Financial assets and liabilities by category

The breakdown of the Group's financial instruments at 27 March 2022 and 28 March 2021 is shown below:

	2022			2021 (Restated)*		
	Current £m	Non - current £m	Total £m	Current £m	Non - current £m	Total £m
Financial assets						
Trade and other receivables**	191	1	192	183	1	184
Cash and cash equivalents	367	-	367	365	-	365
Financial liabilities						
Trade and other payables**	(512)	(42)	(554)	(488)	(43)	(531)
Interest bearing loans	(329)	(52)	(381)	(426)	-	(426)
Net financial liabilities	(283)	(93)	(376)	(366)	(42)	(408)

*See note 26 for details regarding the prior year restatement.

** Excluding non-financial assets and liabilities.

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

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

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

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

b. Financial risk management objectives and policies

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

Interest rate risk

The Group is exposed to changes in interest rate on floating rate debt, cash deposits, current account balances, and commission income. Interest rate risk on borrowings is managed through determining the right balance of fixed and floating debt within the financing structure. In the year, the Group has benefited from a lower rate on borrowing, but post year-end has agreed to hedge the risk through a fixed rate of borrowing with BEIS.

Foreign currency risk

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

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

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar and Euro exchange rates, assuming they are unhedged and with all other variables held constant, on profit before tax and equity. The underlying holdings in 2021/22 have remained significantly lower than previous years due to the COVID-19 pandemic.

	Strengthening / (weakening) %	Effect on profit £m	Effect on equity £m	Strengthening / (weakening) in euro rate %	Effect on profit before tax £m	Effect on equity £m
	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)
2022	10	1	1	10	1	1
	(10)	(1)	(1)	(10)	(1)	(1)
2021	10	1	1	10	1	1
	(10)	(1)	(1)	(10)	(1)	(1)

Credit risk

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

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

Business credit risk is monitored centrally. The level of bad debt provision is 3% (2021: 2%) of revenue.

Capital management

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

Liquidity risk

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

The Group has adequate cash reserves to meet operating requirements for at least the next 12 months from the date of approval of these financial statements. See going concern disclosures in note 1 for more detail.

At 27 March 2022 the Group had an unused working capital facility with BEIS of £621 million (2021: £524 million). The working capital facility is due to expire in 2025.

In addition to the security interest provided to BEIS in connection with the £950 million Working Capital Facility (note 15), Post Office Limited has also created a first floating charge over its assets as security for the payment and discharge of certain liabilities arising in the normal course of its client-related activity. As at the balance sheet date the outstanding liabilities amounted to £31 million (2021: £32 million).

The tables below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, where applicable. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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

At 28 March 2021 (Restated)**	Less than 1 year £m	Between 1-5 years £m	Over 5 years £m	Total £m
Financial Assets				
Trade and other receivables*	183	1	-	184
Cash and cash equivalents	365	-	-	365
Financial Liabilities				
Trade and other payables*	(488)	(22)	(241)	(751)
Interest bearing loan	(426)	-	-	(426)
Total financial liabilities	(366)	(21)	(241)	(628)

* Excluding non-financial assets and liabilities.

**See note 26 for details regarding the prior year restatement.

18. Retirement benefit surplus

Disclosures in this note reflect the following pension schemes in which Post Office participates:

Name	Eligibility	Type
Post Office Pension Plan ("POPP")	UK employees	Defined contribution
Royal Mail Pension Plan ("RMPP")*	UK employees	Defined benefit
Royal Mail Senior Executives Pension Plan ("RMSEPP")	UK Senior Executives	Defined benefit

* The RMPP closed to future accrual on 31 March 2017.

Defined Contribution

The charge in the income statement for the defined contribution scheme ("POPP") was £13 million (2021: £11 million) and the Group contributions to this scheme were £12 million (2021: £18 million) during the year.

Defined Benefit

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

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

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

The changes include the following:

- On 21 March 2017 Post Office executed a Memorandum of Understanding with the Trustee of the RMPP. This clarified the Trustee's powers to distribute surplus without Post Office's agreement and Post Office concluded that it no longer had an unconditional right to refund from the Plan. In light of this, in accordance with IFRIC 14, the RMPP pension surplus was derecognised as at 26 March 2017.
- On 20 July 2017, the Trustee of the RMPP entered into two bulk annuity contracts with Rothesay Life Plc. These contracts are assets of the Post Office Section of the RMPP that provide incomes closely matching the benefit payments from the Plan. The largest of the two contracts is in respect of crystallised benefits and benefits accrued after 31 March 2012. The smaller of the two contracts is in respect of pre-April 2012 for members in Post Office employment at the time of the bulk annuity purchase. The bulk annuities cover the vast majority of the Plan benefits, although uninsured liabilities and costs may arise in relation to increases to the pre-April 2012 benefits arising as a result of certain salary increases in excess of RPI inflation, deflation risk in relation to Section C members (while they remain in Post Office employment, the pre-April 2008 gross benefit revalues with RPI on a year-by-year basis, but revaluation of the deductible is based on cumulative RPI inflation to the date of leaving service), and operational expenses.
- As noted in the prior year annual report, in January 2020 the Trustee of the Plan wrote to members to inform them that it intends to convert the larger of the two policies into individual policies outside of the Plan. This means that each member of the Plan will hold a policy in their own name and the benefits under those policies will no longer be liabilities of the Plan. The Trustee is continuing to work with Rothesay Life to implement the transfer to individual policies. To facilitate the transfer into individual annuity policies the Trustee is continuing to implement a data cleanse exercise, which will result in some adjustments to individual member benefits. To the extent that the adjustments are known, they have been reflected in the defined benefit obligation shown in these financial statements.

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

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

The latest full actuarial funding valuation of the RMPP was carried out as at 31 March 2018 using the projected unit method, concluding at a £24 million surplus on a Technical Provisions basis. Valuations are expected to be carried out triennially, however the next triennial valuation has been delayed and is expected to take place during 2022/23.

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

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

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

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

The weighted average duration of the Post Office section of the RMPP is around 25 years, and for RMSEPP it is around 20 years.

The two bulk annuity policies with Rothesay Life provide an income to the Post Office section of the RMPP that matches the vast majority of the required benefit payments; as shown in the following disclosures, the estimated value of those policies (on the IAS 19 assumptions as at 27 March 2022) is £309 million (2021: £332 million), compared to the RMPP defined benefit obligation of £320 million (2021: £343 million). The £11 million (2021: £11 million) difference in these figures is due to small differences between the insured benefits and the actual benefit obligation.

A bulk annuity policy (with Scottish Widows) is also held by the Trustee of the RMSEPP. As shown in the following disclosures, the estimated value of that policy, on the IAS 19 assumptions as at 27 March 2022, is £28 million (2021: £29 million), compared to the RMSEPP defined benefit obligation of £28 million (2021: £29 million).

Therefore, as at 27 March 2022, 97% of the aggregate defined benefit obligation (i.e. £337 million out of the £348 million) is matched by bulk annuities that provide income matching the required benefit payments. As such, the majority of the investment and longevity risk associated with Post Office's obligations in respect of the defined benefit plans has been removed (noting that the bulk annuity policies are subject to protection from insurance regulations, including access to the Financial Services Compensation Scheme, in the event of insurer insolvency). Nevertheless, to the extent that 3% of the defined benefit obligation is not matched by bulk annuities, some risk remains in respect of that 3%, in particular the risk that members with uninsured benefits live for longer than expected, the risk that inflation is higher than expected, leading to higher than expected increases to the uninsured benefits, the risk that the assets in excess of the bulk annuity policies generate poor investment returns, and the risk that administration expenses are higher than anticipated. However, these risks are expected to be mitigated by the surplus assets shown in the disclosures (before allowing for the fact that the RMPP surplus is not recognised on Post Office's balance sheet due to the Memorandum of Understanding described above).

The following disclosures relate to the losses/gains and deficit/surplus in respect of Post Office's obligations to RMPP and RMSEPP:

a) Major long-term assumptions

The size of the defined benefit obligation shown in the financial statements is materially sensitive to the assumptions adopted. Small changes in these assumptions could have a significant impact on this value. The overall income statement charge and past service adjustment in the income statement are also sensitive to the assumptions adopted. However, the majority of any change in the defined benefit obligation due to changes in assumptions, will be matched by a corresponding change in the value in the bulk annuity policies (described above).

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

	At 27 March 2022 % pa	At 28 March 2021 % pa
Increases to benefits that retain a link to pensionable pay	3.7	3.4
Rate of pension increases – RMPP sections A/B	3.4	2.4
Rate of pension increases – RMPP section C	3.7	3.4
Rate of pensions increases – RMSEPP members transferred from Section A or B of RMPP	3.4	2.4
Rate of pension increases – RMSEPP all other members	3.7	3.4
Rate of increase for deferred pensions	3.4	2.4
Discount rate	2.8	2.0
Inflation assumption (RPI) – RMPP & RMSEPP	3.7	3.4
Inflation assumption (CPI) – RMPP & RMSEPP	3.4	2.4

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

	2022 £m	2021 £m
Changes in RPI and CPI inflation of +0.1% pa	(8)	(8)
Changes in discount rate of +0.1% pa	8	8
Changes in CPI assumptions of +0.1% pa	5	5
An additional one year life expectancy	13	13

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

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

Base mortality tables	2022	2021
Male members	100% x S2PMA	100% x S2PMA
Male dependants	100% x S2PMA	100% x S2PMA
Female members	100% x S2PFA	100% x S2PFA
Female dependants	100% x S2DFA	100% x S2DFA
Future improvements	CMI 2021 Core Projections with a 1.5% pa long-term trend	CMI 2020 Core Projections with a 1.5% pa long-term trend

	2022	2021
Average expected life expectancy from age 60		
For a current 60 year old male RMPP member	27 years	27 years
For a current 60 year old female RMPP member	29 years	29 years
For a current 40 year old male RMPP member	29 years	29 years
For a current 40 year old female RMPP member	31 years	31 years

b) Plans' assets

The assets in the plans for the Group were:

Sectionalised RMPP	Market value 2022 £m	Market value 2021 £m
Equities	19	17
Private Equity	3	3
Cash and cash equivalents	27	22
Bond/index-linked funds	14	12
Other loan/debt funds	11	14
Bulk annuity policies*	309	332
Fair value of RMPP assets	383	400
Present value of RMPP liabilities	(320)	(343)
Surplus in plan before asset ceiling adjustment	63	57
Less effect of asset ceiling	(63)	(57)
Surplus in plan after asset ceiling adjustment	-	-

* As described above, the Post Office section of the RMPP holds two bulk annuity policies with Rothesay Life Plc. The value ascribed to the policies has been calculated using the same assumptions as used to calculate the present value of the defined benefit obligation.

7% Share of RMSEPP	Market value 2022 £m	Market value 2021 £m
Cash and cash equivalents	1	1
Bulk annuity policy*	28	29
Fair value of share in plan assets for RMSEPP	29	30
Present value of share in plan liabilities for RMSEPP	(28)	(29)
Surplus in plan for the share of RMSEPP before tax	1	1
Tax effect	-	-
Surplus in plan for share of RMSEPP after tax	1	1

* RMSEPP holds a bulk annuity policy with Scottish Widows. The value ascribed to this policy has been calculated using the same assumptions as used to calculate the present value of the defined benefit obligation.

As described above, no surplus is recognised for RMPP because the Group no longer has an unconditional right to refund from the Plan. A retirement benefit surplus of £1 million is disclosed on the balance sheet, representing the surplus in the RMSEPP only.

There is no element of the above present value of liabilities that arises from plans that are wholly unfunded. Bond/index-linked funds are securities with a quoted price in an active market.

c) Movement in plans' assets and liabilities

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

RMPP Assets	Sectionalised RMPP 2022 £m	Sectionalised RMPP 2021 £m
Assets in sectionalised RMPP at beginning of period	400	349
Contributions paid	-	-
Finance income	7	6
Actuarial (losses)/gains	(18)	52
Benefits paid to members	(5)	(5)
Administrative expenses	(1)	(2)
Assets in sectionalised RMPP at end of period	383	400

RMSEPP Assets	Share of RMSEPP 2022 £m	Share of RMSEPP 2021 £m
Share of assets in RMSEPP at beginning of period	30	26
Contributions paid	-	-
Finance income	-	-
Actuarial (losses)/gains	-	5
Benefits paid to members	(1)	(1)
Share of assets in RMSEPP at end of period	29	30

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

RMPP Liabilities	Sectionalised RMPP 2022 £m	Sectionalised RMPP 2021£m
Liabilities in sectionalised RMPP at beginning of period	(343)	(286)
Past service cost	-	-
Finance cost	(7)	(6)
Experience adjustments on liabilities	(2)	4
Financial assumption changes	27	(62)
Demographic assumption changes	-	2
Benefits paid	5	5
Liabilities in sectionalised RMPP at end of period	(320)	(343)

RMSEPP Liabilities	Share of RMSEPP 2022 £m	Share of RMSEPP 2021 £m
Share of liabilities in RMSEPP plans at beginning of period	(29)	(25)
Finance cost	-	-
Experience adjustments on liabilities	-	-
Financial assumption changes	-	(5)
Demographic assumption changes	-	-
Benefits paid	1	1
Share of liabilities in RMSEPP at end of period	(28)	(29)

d) Recognised charges

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

RMPP	Sectionalised RMPP 2022 £m	Sectionalised RMPP 2021 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged to investments:		
Administration expenses incurred	1	2
Loss due to curtailments	-	-
Total charge to operating profit	1	2
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	7	6
Interest income on plan assets	(7)	(6)
Net pensions credit to financing	-	-
Net charge to the income statement	1	2
Analysis of amounts recognised in the statement of comprehensive income		
Actual (loss)/return on plan assets	(11)	57
Less: expected interest income on plan assets	(7)	(6)
Actuarial (losses)/gains on assets (all experience adjustments)	(18)	51
Actuarial (losses)/gains arising from changes in demographic assumptions	-	2
Actuarial gains/(losses) arising from changes in financial assumptions	27	(63)
Actuarial (losses)/gains arising from experience adjustments	(2)	4
Actuarial gains/(losses) on liabilities	25	(57)
Effect of the asset ceiling	(6)	6
Total actuarial gains recognised in the statement of comprehensive income	1	-

d) Recognised charges (continued)

RMSEPP	Share of RMSEPP 2022 £m	Share of RMSEPP 2021 £m
Analysis of amounts recognised in the income statement		
Analysis of amounts charged/(credited) to net pensions interest:		
Interest on plan liabilities	1	-
Interest income on plan assets	(1)	-
Net pensions credit to financing	-	-
Net charge to the income statement before deduction for tax	-	-
Analysis of amounts recognised in the statement of comprehensive income		
Actual return on plan assets	(1)	(5)
Less: expected interest income on plan assets	-	-
Actuarial losses on assets (all experience adjustments)	(1)	(5)
Actuarial gains arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	1	5
Actuarial gains on liabilities	1	5
Total actuarial losses recognised in the statement of comprehensive income before tax effect	-	-
Tax effect	-	-
Total actuarial losses recognised in the statement of comprehensive income after tax effect	-	-

19. Equity

Share capital

	2022 £	2021 £
Authorised		
Ordinary shares of £1 each	51,000	51,000
Total	51,000	51,000
Allotted and issued and fully paid		
Ordinary shares of £1 each	50,005	50,003
Total	50,005	50,003

Share premium

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

On 1 April 2021 one ordinary share of £1 was issued in return for £61 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £61 million resulted from this subscription. On 9 March 2022 one ordinary £1 share was issued in return for £64 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £64 million resulted from this subscription.

Other reserves

Other reserves of £2 million (2021: £2 million) relates to First Rate Exchange Services Holdings Limited, the joint venture entity.

20. Commitments, contingent liabilities and contingent assets

Capital commitments contracted for but not yet provided in the financial statements amount to £3 million (2021: £2 million).

Leases

Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

	2022 £m	2021 £m
Right-of-use assets		
Short leasehold buildings	25	22
Long leasehold buildings	15	15
Equipment	2	1
Vehicles	-	1
Total	42	39

Right-of-use assets in the table above are recognised within property, plant and equipment in the balance sheet and included in the relevant asset class in the property, plant & equipment note (see note 10).

Lease liabilities	2022 £m	2021 £m
Current	11	12
Non-current	42	39
Total	53	51

Additions to right-of-use assets during the 2021/22 financial year were £17 million (2021: £9 million) and disposals were £2 million (2021: £14 million).

Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2022 £m	2021 £m
Short leasehold buildings	10	9
Vehicles	1	1
Total	11	10
Interest expense (included in finance cost)	2	2

The total cash outflow for leases in 2021/22 was £13 million (2021: £14 million).

Income from sub-leased right-of-use assets was £3 million (2021: £3 million) in the year and has been recognised as a credit to costs.

Contingent liabilities

In 2019/20 a contingent liability was disclosed in relation to the Employment Tribunal claim issued on behalf of a number of Postmasters against Post Office on 14 June 2018, in which they sought to establish that they are "workers" of Post Office. The matter, originally listed to be heard in June 2021, has now been heard over 4 weeks at a trial which commenced on 1 February 2022. The parties have been through an extensive case management process, which involved identifying a small group of 10 "sample cases" whose cases were examined at the trial. On 14 March 2022 Post Office successfully defended the Employment Tribunal on all counts, resulting in the likelihood of a possible obligation arising from past events in relation to this matter being considered remote. As such, and consistent with 2020/21, no contingent liability is disclosed for 2021/22.

Contingent assets

At the balance sheet date, Government funding of up to £780 million in respect of OHC and £233 million in respect of HSS has been agreed. However, the contingent asset has not been recognised as a receivable due to the current significant estimation uncertainty associated with settlement cashflows. The Group will recognise an asset only when the quantum for each specific claim settlement becomes virtually certain.

21. Discontinued Operations

In March 2021 the Group sold its Telecoms operation and this was reported as a discontinued operation. The results of this operation are disclosed below for the period to the date of disposal in 2021.

	2022 £m	2021 £m
Revenue	-	142
Other operating costs	-	(125)
Depreciation	-	(6)
Operating profit before investment expenditure	-	11
Operating investment expenditure	-	(6)
Operating profit after investment expenditure	-	5
Taxation	-	-
Profit on disposal of discontinued operation	-	53
Profit for the year from discontinued operation	-	58
Net cash inflow from operating activities	-	8
Net cash inflow from investing activities	-	57
Net increase in cash generated by discontinued operations	-	65

In 2021, as at the date of sale, the carrying value of assets totalled £27 million, consisting of fixed assets of £8 million, trade receivables of £8 million, prepayments of £8 million and other assets of £3 million. The carrying value of liabilities as at the date of sale totalled £21 million, consisting of accruals of £8 million, deferred income of £9 million and other liabilities of £4 million. The consideration received in respect of the sale was £65 million. The profit on disposal, after deduction of costs of £6 million, was £53 million.

22. Related party disclosures

Joint venture

The following Company is a joint venture of the Group:

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

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

Related party transactions

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

	Sales / recharges to related party		Purchases / recharges from related party		Amounts owed from related party including outstanding loans		Amounts owed to related party including outstanding loans	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
First Rate Exchange Services Holdings Limited	26	23	44	24	2	1	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.

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

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

The Group has certain loan facilities of £1,000 million (2021: £1,000 million) with Government (page 82). This is made up of the £950 million (2021: £950 million) working capital facility and the £50 million (2021: £50 million) same day facility.

- The Group has received funding for exceptional items from Government of £6 million (2021: £nil restated), all of which is recognised through the income statement and shown in note 4.
- The Group has received the Network Subsidy Payment of £50 million (2021: £50 million) from Government (page 82).

Key management personnel comprises the Executive and Non-Executive Directors of the Post Office Limited Board at 27 March 2022. The remuneration of the key management personnel of the Post Office Group is disclosed in the Remuneration Committee Chairman's Statement on pages 37 to 46.

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

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

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

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

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

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

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

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

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

- a) An overnight collateral facility.
- b) An intra-day overdraft facility.

The Facilities may be cancelled by the lender with 60 days' notice.

As at 27 March 2022 £322 million (2021: £240 million) of NRF was held in this way and has not been recognised in the balance sheet.

24. Alternative performance measures

An alternative performance measure is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Trading profit

Trading profit is one of the Group's key financial measures in the view of the Directors as it shows the underlying performance of the Group. It is calculated by taking operating loss before depreciation, amortisation, impairment, exceptional items, investments, Network Subsidy Payment and profit on disposal of discontinued operations. The table below summarises the calculation of operating loss before exceptional items, trading profit including Network Subsidy Payment and trading profit.

	2022 £m	2021 £m (Restated)*
Operating loss in respect of continuing operations	(124)	(713)
Operating profit in respect of discontinued operation	-	5
Adjusted for:		
Exceptional items (note 4)	90	626
Funding for exceptional items (note 4)	(6)	-
Operating loss before exceptional items	(40)	(82)
Depreciation and amortisation (notes 9 and 10)	104	124
Investment spend (excluding interest) (notes 5 and 21)	28	43
Trading profit including Network Subsidy Payment (adjusted EBITDA)	92	85
Network Subsidy Payment	(50)	(50)
Trading profit (EBITDAS)	42	35

*See note 26 for details regarding the prior year restatement.

Net debt

Net debt is an alternative performance measure disclosed in the financial statements and has been reconciled in note 25.

25. Cash flow information

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

	2022 £m	2021 £m (Restated)*
Loss for the financial year	(130)	(661)
Profit on disposal of the Telecoms operation	-	(53)
Investment spend – continuing operations	28	29
Investment spend – discontinued operation	-	6
Impairment of intangible assets	-	8
Exceptional items	90	626
Funding for exceptional items	(6)	-
Finance costs	7	7
Taxation credit	(1)	(1)
Operating loss (before exceptional items and investment spend)	(12)	(39)

*See note 26 for details regarding the prior year restatement.

Net debt

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

	29 March 2021 £m	Financing cash flows £m	New leases £m	Other non- cash changes £m	27 March 2022 £m
Cash and cash equivalents	365	2	-	-	367
Borrowings	(426)	45	-	-	(381)
Lease liabilities	(51)	13	(17)	2	(53)

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

26. Prior year restatement

During 2021/22, the Directors reassessed the treatment pertaining to the funding by Government of the liabilities for Historical Matters and concluded that a more appropriate treatment would be to recognise an asset only when the quantum for each specific claim settlement becomes virtually certain. This is due to the current significant estimation uncertainty associated with settlement cashflows. As such, in 2021/22, application of this reassessment has resulted in the previously recognised asset of £64 million being derecognised and the prior year comparatives being restated. The impact of the restatements on the primary statements has been outlined below.

Consolidated Income Statement	As previously stated £m	Adjustment £m	Restated £m
Funding for exceptional items	64	(64)	-
Loss before taxation from continuing operations	(656)	(64)	(720)
Loss for the financial year from continuing operations	(655)	(64)	(719)
Loss for the financial year	(597)	(64)	(661)

Consolidated Statement of Comprehensive Income	As previously stated £m	Adjustment £m	Restated £m
Loss for the financial year from continuing operations	(655)	(64)	(719)
Total comprehensive expense for the year	(599)	(64)	(663)

Consolidated Balance Sheet	As previously stated £m	Adjustment £m	Restated £m
Trade and other receivables	74	(64)	10
Total non-current assets	461	(64)	397
Total assets	1,096	(64)	1,032
Net liabilities	(656)	(64)	(720)
Total equity	(656)	(64)	(720)

27. Post balance sheet events

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

Funding receipts

Between the balance sheet date and the date of signing these financial statements Post Office has received payments from BEIS in relation to Network Subsidy Payments and Investment funding. £25 million has been received in respect of Network Subsidy Payments and £37.5 million in relation to investment funding. This is in line with the agreements in place.

Extension to the working capital facility

On 8 July 2022 BEIS and Post Office Limited signed an agreement to extend the £950 million working capital facility through to 31 March 2025.

28. Ultimate controlling party

The Secretary of State for BEIS holds a special share in Post Office Limited and the rights attached to that special share are enshrined within Post Office Limited Articles of Association. BEIS, through UK Government Investments Limited ("UKGI"), has no day to day involvement in the operations of Post Office Limited or in the management of its branch network and staff. As such, at 27 March 2022, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. BEIS is the ultimate controlling party.

The smallest and largest Group to consolidate the results of the Company is Post Office Limited, a company registered in the United Kingdom. Post Office Limited financial statements can be obtained from Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

Post Office Limited

Company Financial Statements

2021/22

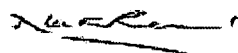
Company balance sheet

at 27 March 2022 and 28 March 2021

		2022 £m	2021 £m
	Note		(Restated)*
Non-current assets			
Intangible assets	3	128	137
Property, plant and equipment	4	125	146
Investment in subsidiaries	5	43	48
Investments in joint venture	6	49	46
Retirement benefit surplus	12	1	1
Trade and other receivables	7	4	5
Total non-current assets		350	383
Current assets			
Inventories		1	2
Trade and other receivables	7	274	274
Cash and cash equivalents	8	346	352
Total current assets		621	628
Total assets		971	1,011
Current liabilities			
Trade and other payables	9	(520)	(490)
Financial liabilities - interest bearing loans and borrowings	10	(329)	(426)
Provisions	11	(199)	(50)
Total current liabilities		(1,048)	(966)
Non-current liabilities			
Other payables	9	(42)	(42)
Financial liabilities - interest bearing loans and borrowings	10	(52)	-
Provisions	11	(566)	(724)
Total non-current liabilities		(660)	(766)
Net liabilities		(737)	(721)
Equity			
Share capital	13	-	-
Share premium	13	590	465
Accumulated losses		(1,329)	(1,188)
Other reserves	13	2	2
Total equity		(737)	(721)

*See note 17 for detail of which line items have been restated.

The notes on pages 133 to 145 form an integral part of the financial statements. The result dealt with in the financial statements of the Company amounted to a loss after tax of £142 million (2021: £711 million restated) in respect of the continuing operations and a profit after tax of £nil (2021: £58 million) in respect of the discontinued operations. The financial statements on pages 131 to 145 were approved by the Board of Directors on 17 August 2022 and signed on its behalf by:



N Read
Chief Executive Officer

Company statement of changes in equity

for the 52 weeks ended 27 March 2022 and 52 weeks ended 28 March 2021

	Notes	Share Capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	Total equity £m
At 29 March 2021 (Restated)*		-	465	(1,188)	2	(721)
Loss for the year		-	-	(142)	-	(142)
Share issue	13	-	125	-	-	125
Re-measurements on defined benefit surplus		-	-	1	-	1
At 27 March 2022		-	590	(1,329)	2	(737)

	Notes	Share capital £m	Share Premium £m	Accumulated losses £m	Other reserves £m	Total equity £m
At 30 March 2020		-	465	(535)	4	(66)
Loss for the year (Restated)	17	-	-	(653)	-	(653)
Loss on cash flow hedges		-	-	-	(2)	(2)
At 28 March 2021 (Restated)*		-	465	(1,188)	2	(721)

*See note 17 for detail of which line items have been restated.

Notes to the financial statements

1. Accounting Policies

The accounting policies which follow, set out those which apply in preparing the Company financial statements for the 52 week period ended 27 March 2022.

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 27 March 2022 (2021: 52 weeks ended 28 March 2021).

Authorisation of financial statements

The parent Company financial statements of Post Office Limited (the "Company") for the year ended 27 March 2022 were authorised for issue by the Board of Directors on 17 August 2022 and the balance sheet was signed on the Board's behalf by N Read. Post Office Limited is a company limited by share capital, incorporated and domiciled in England and Wales. The address of the registered office is given on page 146.

Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS" 101). These financial statements are prepared under the historical cost convention. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006 Post Office Limited has not presented its own income statement.

The results of Post Office Limited are included in the consolidated financial statements of Post Office Limited which are available from Companies House.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IFRS 7 'Financial Instruments: Disclosures',
- (b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- (c) The requirements of paragraphs 10(d), 10(f), 39(c), 40.A and 134-136 of IAS 1 'Presentation of Financial Statements',
- (d) The requirements of IAS 7 'Statement of Cash Flow's,
- (e) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors',
- (f) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures', and
- (g) The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Basis of preparation – going concern

After careful consideration of the plans for the coming years, factoring in the continued support of Government, we are satisfied that the Company (being Post Office Limited) will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern position, the Board has considered the Company's financial forecasts for a period of 15 months from the date of approval of these financial statements.

In recent years, the Company has become profitable at a trading level with trading profit peaking in 2019/20. The subsequent fall in trading profit over recent years is due to the ongoing impact of the COVID-19 pandemic, notably

on the travel business, rising inflationary pressures on the costs to both the Company and Postmasters and the removal of the trading profit contribution of the Telecoms business following its sale in 2020/21.

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

For 2021/22, the Company received £50 million of Network Subsidy Payments and £177 million in funding, made up of a £125 million equity injection and a £52 million loan. In March 2022 the Government continued to evidence its support of Post Office by committing to provide £150 million in Network Subsidy Payments and £185 million in investment funding, to be received as a grant, over the period 2022/23 through to 2024/25. In addition, in July 2022 the Government extended the £950 million working capital facility to 31 March 2025.

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

For the specific one-off matters, Government has agreed to provide sufficient financial support to Post Office to ensure that the HSS can proceed and settlement payments for OHC can be made, with agreed funding in excess of the current provisions. Funding of up to £233 million has been guaranteed for the HSS provided that the Government's operational and approval processes are followed and all initial offers are sent out by 31 March 2023. Funding of up to £780 million has been guaranteed for compensation to Postmasters who were wrongly convicted of criminal offences or were prosecuted but not convicted and suffered detriment. Discussions are underway on funding other Postmaster Remediation and the Government has written a letter of comfort stating its intention to ensure the provision of support, subject to future approval processes.

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

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

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

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

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

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

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

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

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

Accounting policies

The following accounting policies are consistent with those of the Group as detailed in note 1 of the Group financial statements:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 16 Leases.
- Critical accounting estimates and judgements in applying accounting policies.
- Other income.
- Leases.
- Taxation.
- Investments in joint venture.
- Property, plant and equipment.
- Intangible assets.
- Inventories.
- Trade receivables.
- Cash and cash equivalents.

- Pensions and other post-retirement benefits.
- Foreign currencies.
- Provisions.
- Derivatives and hedging activities.

Accounting policies have been consistently applied to all the years presented, unless otherwise stated

Auditors' remuneration

The remuneration paid to auditors is disclosed in the Group financial statements (note 4).

Directors' emoluments

The emoluments paid to Directors are disclosed in the Group financial statements (note 6). Directors for the Company are the same as Group.

Investment in subsidiaries

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

Amounts owed by group undertakings

Amounts owed by group undertakings are recognised and carried at original transaction value and subsequently at amortised cost, less any expected credit losses.

Critical accounting estimate:

Key assumptions used in impairment tests for investments in subsidiaries

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

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

Where appropriate, an impairment loss is recognised in the income statement for the amount by which the carrying value of the investment exceeds its recoverable amount. The recoverable amount is determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on four-year financial forecasts approved by management, factoring in current economic circumstances and challenges such as the ongoing impact of the COVID-19 pandemic. Where applicable, cash flows beyond this period are extrapolated using estimated growth rates. Refer to note 4 for the results of the latest impairment tests.

2. Staff costs and numbers

Employment and related costs were as follows:

	2022 £m	2021 £m
People costs (excluding investments):		
Wages and salaries	130	130
Social security costs	14	14
Other pension costs (note 12)	13	11
Total people costs (excluding investments)	157	155

Period end and average employee numbers were as follows:

	Period end employees		Average employees	
	2022	2021	2022	2021
Total employees	3,275	3,331	3,303	3,430

Total employee numbers can be categorised as follows:

	Period end employees		Average monthly employees	
	2022	2021	2022	2021
Administration	1,258	1,172	1,215	1,131
Directly managed branches ("DMB")	1,242	1,390	1,316	1,491
Supply Chain	775	769	772	792
Network programmes	-	-	-	16
Total	3,275	3,331	3,303	3,430

3. Intangible assets

	Software £m	Goodwill £m	Other Intangibles £m	Total £m
Cost				
At 30 March 2020	531	1	6	538
Reclassification	(3)	-	-	(3)
Additions	34	-	-	34
Disposals	(12)	(1)	(6)	(19)
Adjustments	(13)	-	-	(13)
At 28 March 2021	537	-	-	537
Additions	43	-	-	43
Disposals	(61)	-	-	(61)
At 27 March 2022	519	-	-	519
Accumulated amortisation and impairment				
At 30 March 2020	354	-	3	357
Amortisation	64	-	3	67
Disposals	(10)	-	(6)	(16)
Adjustments	(8)	-	-	(8)
At 28 March 2021	400	-	-	400
Amortisation	52	-	-	52
Disposals	(61)	-	-	(61)
At 27 March 2022	391	-	-	391
Net book value				
At 27 March 2022	128	-	-	128
At 28 March 2021	137	-	-	137

Included within software in the above table are assets under construction of £61 million (2021: £35 million).

During the current year, reviews of property, plant and equipment and intangible assets took place and resulted in reclassifications between categories to give a more appropriate representation of the nature of the assets.

Goodwill and intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Management determined that in relation to software assets, no impairment charge (2021: £nil) was required during 2021/22.

In the prior the year, the Company revised its accounting policy in relation to configuration, customisation and access costs incurred in SaaS arrangements, following the IFRS Interpretations Committee agenda decision in March 2021. The 2020/21 impact of this change in accounting treatment was assessed and was found to be immaterial, as such this change was accounted for prospectively, resulting in an additional charge of £5 million in the 2020/21 income statement in respect of brought forward intangible assets. The impact on intangible assets is shown within adjustments in the above table.

Amortisation rates are disclosed on page 93 within the Group accounting policies note.

4. Property, plant and equipment

	Land and Buildings					Plant and machinery	Fixtures and equipment	
	Freehold £m	Long leasehold £m	Short leasehold £m	Motor vehicles £m		£m	£m	Total £m
Cost								
At 30 March 2020	33	59	55	27		2	841	1,017
Reclassification	-	-	1	-		-	2	3
Additions	1	-	1	1		-	6	9
Right-of-use additions	-	2	7	-		-	-	9
Disposals	(3)	(6)	(3)	(1)		-	(23)	(36)
Right-of-use disposals	-	(9)	(5)	-		-	-	(14)
At 28 March 2021	31	46	56	27		2	826	988
Reclassification*	-	(9)	9	-		-	-	-
Additions	1	1	1	-		-	11	14
Right-of-use additions	-	2	14	-		1	-	17
Disposals	(4)	(1)	(1)	(2)		-	(7)	(15)
Right-of-use disposals	-	(2)	-	-		-	-	(2)
At 27 March 2022	28	37	79	25		3	830	1,002
Accumulated depreciation and impairment								
At 30 March 2020	24	17	25	24		1	731	822
Reclassification	-	-	-	-		-	-	-
Depreciation	1	2	1	-		-	37	41
Right-of-use asset depreciation	-	-	9	1		-	-	10
Right-of-use impairment reversal	-	(2)	(1)	-		-	-	(3)
Disposals	(3)	(4)	(3)	(1)		-	(16)	(27)
Right-of-use disposals	-	(1)	-	-		-	-	(1)
At 28 March 2021	22	12	31	24		1	752	842
Reclassification*	-	(5)	5	-		-	-	-
Depreciation	1	4	1	-		-	30	36
Right-of-use asset depreciation	-	-	10	1		-	-	11
Disposals	(3)	-	-	(2)		-	(7)	(12)
Right-of-use disposals	-	-	-	-		-	-	-
At 27 March 2022	20	11	47	23		1	775	877
Net book value								
At 27 March 2022	8	26	32	2		2	55	125
At 28 March 2021	9	34	25	3		1	74	146

*During the current year, reviews of property, plant and equipment and intangible assets took place and resulted in reclassifications between categories to give a more appropriate representation of the nature of the assets.

Included within fixtures and equipment in the above table are assets under construction of £4 million (2021: £4 million).

Depreciation rates are disclosed on pages 91 and 92 within the Group accounting policies note. No depreciation is provided on freehold land, which represents £1 million (2021: £1 million) of the total cost of freehold land and buildings.

Included within the table above are right-of-use assets with a net book value of £42 million (2021: £38 million). The split between categories has been disclosed in note 20 in the Group financial statements.

During the current year, a review of property, plant and equipment and intangible assets took place and resulted in reclassifications between categories to give a more appropriate representation of the nature of the assets.

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

The discounted net cash flows from the value in use calculations were used to determine the recoverable amount of the CGU identified. Value in use is determined using the net cash inflows from the continued use of the assets within the CGU over a three-year period and then continued into perpetuity, with no nominal growth rate assumed outside of this period. A pre-tax discount rate for Post Office Limited of 8.7% (2021: 9.3%) has been used to discount the forecasted cash flows.

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

5. Investment in subsidiaries

The carrying value of £43 million (2021: £48 million) is made up of two investments in subsidiaries.

The carrying value of the Company's investment in Post Office Management Services Limited is £43 million (2021: £43 million) – a 100% subsidiary of the Company with 60,000,000 shares at a nominal value of £1 and one share with a nominal value of £100.

In 2021/22 the investment held by the Company in Payzone Bill Payments Limited, a 100% subsidiary of the Company with one share at a nominal value of £1, was fully impaired, resulting in a carrying value of £nil at the balance sheet date. The original carrying value of the investment was £19 million and was impaired by £14 million in the prior year, resulting in a carrying value of £5 million in 2020/21.

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

6. Investments in joint venture

	2022 £m	2021 £m
Investment in joint ventures	49	46

During the current and prior year, the Company's only joint venture investment was a 50% interest (1,000 £1 ordinary A shares) in First Rate Exchange Services Holdings Limited with a carrying value of £49 million (2021: £46 million), whose principal activity is the provision of foreign currency exchange. First Rate Exchange Services Holdings Limited is a company registered in the United Kingdom. The registered address of First Rate Exchange Services Holdings Limited is Great West House, Great West Road, Brentford, Middlesex, TW8 9DF.

7. Trade and other receivables

	2022 £m	2021 £m (Restated)*
Current:		
Trade receivables	67	46
Amounts owed by Group undertakings	16	21
Accrued income	58	63
Prepayments	19	16
Client receivables	103	112
Other receivables	11	16
Total	274	274
Non-current:		
Accrued income	3	4
Other receivables	1	1
Total	4	5

*See note 17 for details regarding the prior year restatement.

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

27 March 2022	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	95%	
Gross carrying amount - £m	64	1	1	22	88
Loss allowance - £m	-	-	-	21	21

28 March 2021	Current	>30 days and <60 days past due	>60 days and <120 days past due	>120 days past due	Total
Expected loss rate - %	0%	0%	0%	95%	
Gross carrying amount - £m	42	2	1	22	67
Loss allowance - £m	-	-	-	21	21

There is a loss allowance in the current, more than 30 days and more than 60 days ageing categories, however it is immaterial for disclosure.

8. Cash and cash equivalents

	2022 £m	2021 £m
Cash in the Post Office Limited network	342	350
Short-term bank deposits	4	2
Total	346	352

9. Trade and other payables

	2022 £m	2021 £m
Current:		
Trade payables	56	68
Accruals	100	97
Deferred income	22	8
Social security	6	8
Client payables	315	288
Lease liabilities	11	12
Capital payables	10	9
Total	520	490
Non-current:		
Lease liabilities	42	39
Other payables	-	3
Total	42	42

10. Financial liabilities – interest bearing loans and borrowings

	2022 £m	2021 £m
Current:		
Department for Business, Energy and Industrial Strategy – facility	329	426
Total	329	426
Non-current:		
Department for Business, Energy and Industrial Strategy – fixed term loan	52	-
Total	52	-

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

11. Provisions

	HSS £m	OHC £m	Postmaster Remediation £m	Network Programmes £m	Property £m	Severance £m	Other £m	Total £m
At 29 March 2021	150	502	59	21	23	10	9	774
Charged to investment spend	-	-	-	-	3	7	-	10
Charged to exceptional items	39	12	3	-	-	-	-	54
Charged to trading	-	-	-	-	-	-	4	4
Utilisation	(7)	(6)	-	(4)	(4)	(10)	(1)	(32)
Provisions released in the year – investment spend	-	-	-	(2)	(3)	(4)	-	(9)
Provisions released in the year – exceptional items	(10)	-	-	-	-	-	-	(10)
Provisions released in the year – trading	-	-	-	-	-	-	(5)	(5)
Impact of discounting	-	(21)	-	-	-	-	-	(21)
At 27 March 2022	172	487	62	15	19	3	7	765

	HSS £m	OHC £m	Postmaster Remediation £m	Network Programmes £m	Property £m	Severance £m	Other £m	Total £m
Disclosed as:								
At 27 March 2022								
Current	136	13	30	5	5	3	7	199
Non-current	36	474	32	10	14	-	-	566
	172	487	62	15	19	3	7	765

At 28 March 2021								
Current	6	7	-	9	12	10	6	50
Non-current	144	495	59	12	11	-	3	724
	150	502	59	21	23	10	9	774

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

12. Retirement benefit surplus

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

13. Equity

Called up share capital

	2022 £	2021 £
Authorised		
Ordinary shares of £1 each	51,000	51,000
Total	51,000	51,000
Allotted and issued		
Ordinary shares of £1 each	50,005	50,003
Total	50,005	50,003

Share premium

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

On 1 April 2021 one ordinary share of £1 was issued in return for £61 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £61 million resulted from this subscription. On 9 March 2022 one ordinary £1 share was issued in return for £64 million cash paid by the Secretary of State for Business, Energy and Industrial Strategy. A share premium of £64 million resulted from this subscription.

Other reserves

Other reserves of £2 million (2021: £2 million) relate to First Rate Exchange Services Holdings Limited, the joint venture entity.

14. Commitments and contingent liabilities

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

15. Related party disclosures

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

16. Discontinued operation

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

17. Prior year restatement

During 2021/22, the Directors reassessed the treatment pertaining to the funding by Government of the liabilities for Historical Matters and concluded that a more appropriate treatment would be to recognise an asset only when the quantum for each specific claim settlement becomes virtually certain. This is due to the current significant estimation uncertainty associated with settlement cashflows. As such, in 2021/22, application of this assessment has resulted in the previously recognised asset of £64 million being derecognised and the prior year comparatives being restated. The impact of the restatements on the primary statements has been outlined below.

Company Income Statement	As previously stated £m	Adjustment £m	Restated £m
Funding for exceptional items	64	(64)	-
Loss for the financial year from continuing operations	(647)	(64)	(711)
Loss for the financial year	(589)	(64)	(653)

Company Statement of Comprehensive Income	As previously stated £m	Adjustment £m	Restated £m
Loss for the financial year from continuing operations	(647)	(64)	(711)
Total comprehensive expense for the year	(591)	(64)	(655)

Company Balance Sheet	As previously stated £m	Adjustment £m	Restated £m
Trade and other receivables	69	(64)	5
Total non-current assets	447	(64)	383
Total assets	1,075	(64)	1,011
Net liabilities	(657)	(64)	(721)
Total equity	(657)	(64)	(721)

18. Post balance sheet events

Details of post balance sheet events are included in note 27 to the Group financial statements.

19. Ultimate controlling party

The Secretary of State for BEIS holds a special share in Post Office Limited and the rights attached to that special share are enshrined within Post Office Limited Articles of Association. BEIS, through UK Government Investments Limited ("UKGI"), has no day to day involvement in the operations of Post Office Limited or in the management of its branch network and staff. As such, at 27 March 2022, the Directors regarded Post Office Limited as the immediate and ultimate parent Company. BEIS is the ultimate controlling party.

The largest and smallest Group to consolidate the results of the Company is Post Office Limited, a company registered in the United Kingdom. Post Office Limited financial statements can be obtained from Finsbury Dials, 20 Finsbury Street, EC2Y 9AQ.

Corporate information

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