Registered Number 04138203

Royal Mail Group Limited

Annual Report and Financial Statements

For the 52 weeks ended 29 March 2020

Contents

Strategic report

Royal Mail Group Limited (the Company) is a wholly-owned subsidiary of Royal Mail plc.

UK Parcels, International & Letters (UKPIL) is the Company's operating unit and comprises Royal Mail's core UK and international parcels and letter delivery businesses under the 'Royal Mail' and 'Parcelforce Worldwide' brands.

Royal Mail's combined letter and parcel delivery network supports the collection, sorting and delivery of parcels and letters. This includes services Royal Mail provides as the UK's designated Universal Service Provider. Parcelforce Worldwide is a leading express parcel delivery provider.

We are the UK's pre-eminent delivery company. This year, we handled and delivered around 13 billion letters, and around 1.3 billion parcels.

Business Review of 2019-20

Results and dividends

The Company's revenue for the 52 weeks ending 29 March 2020 was £7,734 million (53 weeks ending 31 March 2019: £7,748 million). The profit after tax for the same period was £29 million (2018-19: £162 million). People costs increased, primarily due to frontline staff and manager's overall compensation and the cost of only partially absorbing the one hour reduction in the working week introduced in October 2018. We also made additional investment to underpin our Quality of Service and protect deliveries over the General Election and Christmas period. This increase was offset by operations hours reduction and cost avoidance activity.

At 29 March 2020, cash and cash equivalents were £1,425 million (2018-19: £83 million) mainly due to a drawdown of the bank syndicate loan and a loan from its parent company Royal Mail plc. Net assets increased by £869 million to £4,860 million, mainly due to the increase in the retirement benefit net surplus.

In view of the current economic uncertainty, the Directors believe it is prudent not to recommend a final dividend for the financial year ended 29 March 2020.

Progress against our strategic plan

In May 2019, we announced our plan to build a parcels-led, more balanced, more diversified, international business. The Company, along with its overseas subsidiary General Logistics Systems B.V. ('GLS') is integral to the Royal Mail plc Group ambition to build a parcels-led, more balanced and more diversified international business, connecting customers, companies and countries.

Our plan is comprehensive. It seeks to address our challenges through two strategic priorities relevant to the UK business:

- "Turnaround and grow" the UK; and
- Enhancing our cross-border proposition.

1. Turnaround and grow the UK

Turnaround and grow the UK is at the heart of our transformation plan. Our intention is to move from being a UK-focused letters business that also delivers parcels, to an international parcels business that delivers letters in the UK. The strategic rationale underpinning our transformation plan is even more compelling now we are dealing with the consequences of COVID-19.

Combined, the impacts on our UK business of the pandemic and changing structural trends – fewer letters; more parcels – mean a step change is required in terms of the number of significant change programmes we can deliver over a short period of time.

In 2019-20, on a 52-week basis, UKPIL revenue increased by 1.6 per cent. This was driven by a good performance in parcels, and lower than expected letter revenue declines due to the benefit of a European Parliamentary Election and a General Election in the period. We have no reason to expect a similar benefit this financial year. More broadly, UKPIL operating profit has fallen by more than 70 per cent since its peak in 2014-15.

We are engaging with our unions on how we might accelerate the pace of change in the UK. Over time, the successful delivery of our plan should change the dynamics around the contributions of letters and parcels.

COVID-19 has made this even more pressing. It poses a fundamental challenge to our business model; we are delivering more parcels and fewer letters than ever before. Pursuing our strategy to automate parcel handling and fix our delivery network was already the right thing to do. These developments underline the need to transform the business even more quickly, working, as much as possible, with our key stakeholders.

Strategic report (continued)

1a) Renewed focus on productivity and operational excellence
In this foundation year of our change programme, we sought to improve efficiency and productivity. Despite increasing UKPIL costs, in part driven by our three-year pay deal with CWU, we achieved costs avoided of £188 million, within our forecast range. Productivity improved by 1.0 per cent, lower than our original target of over two per cent. This reflects necessary additional investment to support quality and delays to local change initiatives due to the industrial relations environment.

We sought to embed a range of digitally-enabled work tools to improve efficiency and productivity. We have completed the deployment of our route optimisation tool. It improves visibility of changes to delivery routes and is used to undertake delivery revisions.

We scaled up the use of PDA Outdoor Actuals. Alongside our Resource Scheduler tool, it draws data from across the operation to enable better alignment of duty sets and rosters to demand.

In January 2020, following the conclusion of our dispute resolution procedures with CWU, we confirmed we were moving ahead with key national and much-needed local change initiatives that had been delayed, in some cases, by up to a year. That included extending our trial of automated clocking in and out for frontline colleagues at a small number of UK sites.

Handwritten signing-on sheets are the norm for most of our UK employees. We want to move to “Automated Hours Data Capture” (AHDC) to ensure that we resource adequately to the workload demand in all our UK sites. The system also provides health and safety and efficiency benefits. As well as rolling out AHDC to further sites, we will be using data from PDA Outdoor Actuals to optimise resource planning across the operation.

Growth of two per cent in UK parcel volumes continues to be driven by online shopping. We are seeking to increase – quickly – the number of parcels we sort automatically. We have installed a further ten parcel machines, meaning we now have 20 machines at 16 Mail Centres. This has driven the percentage of parcels sorted by machine to 33 per cent at year end, close to three times the average number sorted automatically during 2018-19. We want to increase the overall proportion to over 80 per cent by installing automated machines in all Mail Centres and building two dedicated parcel hubs by 2023-24.

The continued structural decline in UK letter volumes is driving the removal of automated letter sorting machines in our Mail Centres, with 79 machines – around 10 per cent of the total - removed or decommissioned during the year.

1b) Network extension
A major part of our plan is the extension of the UK network, specifically to handle larger and Next Day parcels. The structural shift – not only in the UK delivery market, but across the globe – towards Next Day or Same Day delivery means it is expected to be the fastest growing delivery time category.

We began to build out our network during the year. In July 2019, we said we had started work on the first of our state-of-the-art parcel hubs. Located in Warrington, close to major shippers, it will handle 40,000 items per hour when fully operational. We have chosen the supplier for automation and have completed the fit out. In February 2020, we signed a conditional agreement for a lease for our second parcel hub in the Midlands. Once larger and Next Day items have been processed at one of our hubs, they will be transported to a number of our larger Delivery Offices. Some will go out on a second daily van delivery.

In January 2020, we launched a van-based trial to test a separate daily delivery of larger parcels and Next-Day items. The trial began in Swindon and was expanded to a small number of additional sites. These trials are ongoing. Once they are complete, we will work through the outcomes with our people and their unions.

Our enhanced network will usher in a major increase in delivery frequency for consumers and SMEs. There will potentially be two deliveries a day in many parts of the country from 2023 onwards. Firstly, the usual combined delivery of letters and small parcels. Secondly, the later daily delivery of large parcels that have been ordered online, including in many instances the night before.

Strategic report (continued)

1c) Letters and parcels

i. Parcels performance

Our performance in 2019-20 reflects the fundamental shift in the way consumers and companies use delivery companies. Account parcel volumes were up, with Tracked 24/48® and Tracked Returns® - our key e-commerce products – delivering double-digit growth for the 12^{th} consecutive year. We processed 2.6 million Tracked parcels on our busiest day. This growth has been supported by the introduction of our Age and ID Verification products, together with successful propositions focused on the faster growing sectors and customers.

We continued to improve customer convenience and flexibility with a series of product and service enhancements. In April 2019, we launched earlier customer notifications. They advise recipients the day before of their delivery day and give an estimated delivery time. Over time, customers will receive shorter estimated delivery windows. Around a third (33 per cent) of online shoppers want to receive information about their parcel the day before delivery, according to Royal Mail's own research. Many competitor networks only predict delivery times on the morning of delivery.

We rolled out a range of new features on our mobile app to help senders and recipients manage their deliveries more effectively. Senders can now check a price and buy one-off postage directly through the app. Our UK "industry first" Augmented Reality Parcel Sizer enables customers to work out the right postage. It will also keep customers updated with automatic notifications as their parcel moves through Royal Mail's network, so there is no need for them to check for information and updates.

In June 2019, Parcelforce Worldwide launched a new Tariff Code look up tool. Tariff Codes are an internationally recognised standard which enable the easy identification of items by customs authorities, regardless of language barriers. The tool enables customers to easily and quickly search for the right product Tariff codes for the item they wish to send. In September 2019, the Parcelforce App was updated to include new and improved tracking functionality, with the added ability to select a preferred Post Office using a lookup map tool and address option. In addition, in August 2019, Parcelforce Worldwide launched its new age verification service. 'Challenge 25' ensures its catering supply customers can continue to deliver bladed items, in preparation for the pending legislation on the delivery of restricted items.

In October 2019, we completed the roll out of 1,400 Parcel Postboxes, enabling 24-hour access for customers sending or returning parcels. This is the first UK-wide network of parcel posting boxes, and the biggest change to the postbox in its 160-year history.

We informed our colleagues in June 2020 that we are integrating Parcelforce Worldwide and Royal Mail International more closely into Royal Mail (UKPIL). Parcelforce Worldwide will retain its brand identity and network. These changes will ensure that we have one integrated domestic and international parcels strategy that best serves the changing needs of the market and customers. We will use our assets in a more integrated and efficient way.

Parcelforce Worldwide saw increased costs pressures last year, as a result of: product mix; inflation and lower productivity; and, in the fourth quarter, the impact of COVID-19. This has triggered an impairment review of Parcelforce Worldwide assets, and consequently a non cash impairment charge of £91 million in respect of certain assets. For more detail see Note 5 to the financial statements.

ii. Letters performance

Addressed letter volumes (excluding election mailings) declined eight per cent, within our expected revised range. Total letter revenue was down 0.9 per cent, benefitting from two election mailings and targeted price increases.

We are optimising our letters product portfolio and pricing strategy. Business mail makes up the majority (c. 64 per cent) of addressed mail volumes (excluding International and elections). Advertising mail is around 27 per cent. Our range of products, incentives and offers are designed to demonstrate how mail can help their businesses. One example is our new Partially Addressed product. Aimed at advertisers targeting new customers, it allows them to reach recipients without using personal data. Customers can access strictly non-personalised geo-demographic data, from fully consented individuals. Another product, Late Bookings, for unaddressed mail, enables customers to access additional postcode sectors at a significant discount.

Sustainability is an increasingly important issue for our customers. Organisations are beginning to replace plastic magazine wrappings with biodegradable starch ones. Over time, we have invested in upgrading our large letter sorting machines to enable processing of unwrapped items. We are also working with a number of customers and mail producers to test biodegradable wraps.

Strategic report (continued)

COVID-19 update: parcels and letters
During the pandemic, and the associated lockdown period, we have seen very strong growth in B2C UK parcels. Domestic account volumes (excluding Amazon) were up 65 per cent in the first two months of 2020-21. Our tracked products – mainly Tracked 24®/48® and Tracked Returns® parcels, our key online retail products – are up 76 per cent. International import volumes improved during April and May.

Addressed letter volumes (excluding the impact of elections) have fallen 33 per cent as a consequence of the COVID-19 pandemic. Advertising mail volumes are down 63 per cent, as businesses mailings are postponed or cancelled. Business mail has been more resilient, declining by 19 per cent.

Our people
i. Our managers
The contribution and dedication of our managers is central to the performance of our business. In October 2019, we were pleased to confirm that managers who are members of Unite/CMA, voted in favour of a pay agreement recommended by the union. Managers received a pay increase of 2.6 per cent, backdated to 1 September 2019, and will receive a pay increase of 2.7 per cent from 1 September 2020. They received an Annual Bonus advance in December 2019. In recognition of their continued contribution, we are paying a flat rate bonus payment to all our managers (except our senior leaders) for the entire year, adjusted for the December advance.

ii. Frontline colleagues
Our ongoing dispute with CWU has been one of the defining issues of 2019-20. In May 2019, CWU informed us it considered that we were not honouring and deploying our 2018 Agreement.

We have honoured all our Agreements – including the 2018 Agreement – to the letter. We have awarded two pay increases (five per cent in 2017 and two per cent in April 2019). We implemented the first hour's reduction of the Shorter Working Week, although we did not obtain all the cost saving measures to pay for it. This amounted to a pay increase of 10 per cent in two years. We have worked closely with CWU, and continue to do so, to lobby Government to enable Collective Defined Contribution (CDC) pension schemes under UK law, for the first time in the UK. But, an analysis of the productivity and efficiency opportunities in our Agreement found that, to fund it, there needed to be a step change in the pace and focus of the initiatives within it, and a greater focus on day-to-day operational excellence.

Industrial relations
i. Ballots for industrial action
Our Agreements are designed to support industrial stability. Yet, in 2019-20, we saw six national ballots (Royal Mail and Parcelforce Worldwide) for industrial action. On 15 October 2019, CWU announced a vote in favour of industrial action amongst its Royal Mail members. On 13 November 2019, the High Court granted an interim injunction against this ballot. The Court of Appeal upheld this decision, following a CWU challenge.

Employees within Parcelforce Worldwide are the subject of separate ballot notices. We note that CWU did not achieve the 50 per cent turnout threshold with respect to its first Parcelforce Worldwide ballot, which relates to honouring our Agreements with CWU. The second ballot, which received a vote in favour of industrial action, relates to our proposal to transfer Parcelforce Worldwide into a new legal entity and TUPE Parcelforce Worldwide's 6,500 colleagues into the new company.

We never wanted to take legal action. We wrote to CWU setting out the information on which our case was based. We asked CWU to confirm it would refrain from taking industrial action, due to clear evidence it had interfered with the ballot process. CWU declined to do so.

We welcomed the High Court's decision, and the subsequent support of that judgment by the Court of Appeal. Trade union legislation is designed to safeguard democratic integrity by ensuring union members can vote in the privacy of their own homes, rather than in any public process. As is the case with any electoral process, it is vital our colleagues can vote without any constraint imposed on them by any other party.

We are disappointed with the outcome of CWU's subsequent ballot for national industrial action. In February 2020, we offered a six per cent, three-year pay proposal for our CWU-grade people at Royal Mail. CWU did not accept this offer.

Strategic report (continued)

We welcomed and appreciated CWU's statement that the COVID-19 crisis was not the time to take industrial action. We signed a joint statement with the CWU on 15 May in which we awarded a £200 payment to our frontline employees to recognise their hard work to keep services running throughout the current COVID-19 pandemic. We continue to engage, on a regular basis and at a senior level, with CWU and Unite/CMA on our plans for change. Our engagement with CWU follows our recent joint statement with the union whereby both parties committed to a joint framework for talks to seek to resolve our dispute.

COVID-19 update: Our people's dedication, fortitude, and commitment has reminded the public of the crucial role we play in a digital world. Our UK postmen and women play a crucial role in mitigating the impact of the pandemic.

Protecting our people and the communities we serve has been our top priority. We were one of the first delivery companies to introduce contact free delivery. We changed standard ways of working to ensure, wherever possible, colleagues stay two metres apart. That includes a new rule so that only one person is in a Royal Mail delivery vehicle at any one time.

In recognition of their contribution as designated key workers, around £25 million has been set aside as a cash bonus for UK frontline colleagues. Those who, since March, have been at work throughout the crisis will receive a cash recognition award of up to £200 each.

2. Enhancing our cross-border proposition
The large, and growing, cross-border market represents a growth opportunity, predominantly centred on Europe, North America and Asia. Revenue growth was achieved despite challenging trading conditions.

The majority of cross-border volumes are deferred parcels (including small parcels). While there are limited synergies to be had in the short term, Royal Mail provides GLS with access to the lightweight small parcel segment, where national postal operators usually have a cost advantage, due to their final mile networks. By combining the Royal Mail International and GLS network propositions, we also aim to build our presence in the larger export parcel market (above 2kg) – another growth area.

In July 2019, in collaboration with China Post, we launched a new tracked and signed service to China. Customers can now track their package, from arrival in a UK Mail Centre to arrival in China, via Royal Mail. China is already the world's largest online market with ecommerce experiencing exceptional year on year growth. According to our Delivery Matters research, 90 per cent of online shoppers in China would make purchases online more if there were a wider range of delivery and tracking options.

Key external issues
i. Regulatory environment
There have been significant changes to how universal service operators across the world charge each other for postal activity under the auspices of the Universal Postal Union (UPU). These changes were driven at the governmental level, and have considerable relevance to US arrangements in particular. In essence, the US will now be charging (with effect from 1 July 2020) other countries a great deal more for delivery.

Royal Mail, unfortunately, will have to pass on these costs to its customers, but will not profit in doing so. It is with regret that we are making these USO parcel pricing changes. In doing so, we have sought to minimise the impact on consumers and small businesses sending parcels to the United States. In addition, COVID-19 has meant we have had to use air freight rather than scheduled, commercial, flights to ship mail to the US. This is considerably more expensive, and for some months we have borne the cost ourselves for most customers. From July, we will need to also pass on this increased cost to all our customers.

Quality of Service is a key priority for us; we know how much this matters to our customers. We devote significant resources to delivering a high quality of service. We published our 2019-20 Quality of Service results in May 2020. We exceeded our annual regulatory target of 98.5 per cent for Second Class mail, delivering 98.7 per cent within three working days. We missed our annual regulatory target for First Class mail, delivering 92.6 per cent the next working day, against a target of 93.0 per cent. The full year outcome for First Class mail was significantly impacted by COVID-19. This led to high levels of coronavirus-related absences during the tail end of the 2019-20 financial year. Up until 15 March 2020, we were meeting our First Class target with a performance of 93.0 per cent. We believe, if the 2019-20 performance was adjusted to take into account the impact of coronavirus, we would have achieved our First Class target. We are asking Ofcom to take these issues into consideration.

Strategic report (continued)

In May 2019, Ofcom announced the conclusion of its investigation into our Quality of Service performance for 2017-18. It confirmed that - in this specific circumstance – a financial penalty is not appropriate. We welcome this decision. At the same time, it announced that Ofcom had opened two further investigations in relation to Royal Mail.

The first relates to our Quality of Service performance in 2018-19, in connection with First Class mail. We are disappointed that our regulatory First Class Quality of Service performance for 2018-19 was 91.5 per cent, below the target to deliver 93 per cent of this mail the next working day. Second Class Quality of Service met the regulatory target. We delivered 98.6 per cent of this mail within three working days, against a target of 98.5 per cent. We take our commitment to delivering a high-quality service very seriously.

The second investigation relates to the regulated Second Class Safeguard Cap. We confirmed in February 2019 that, due to an error on our part, our new Second Class stamp price of 61 pence was one penny above the existing regulatory safeguard cap for seven days. We apologised for this mistake as soon as we realised we had made it. We sought to put it right by donating the revenue that we expected to collect from the error – around £60,000 – to our Charity of the Year, Action for Children.

On 14 August 2018, Ofcom published its decision following its investigation into whether Royal Mail had breached competition law. The investigation was launched in February 2014, following a complaint brought by TNT Post UK (now Whistl). Ofcom found that Royal Mail had abused its dominant position in the market for bulk mail delivery services in the United Kingdom by issuing Contract Change Notices on 10 January 2014 which introduced discriminatory prices. It fined Royal Mail £50 million (see Note 22 to the financial statements).

Royal Mail lodged an appeal with the Competition Appeal Tribunal (CAT) on 12 October 2018 to have both Ofcom's decision and fine overturned. On 12 November 2019, the CAT issued its judgment, which upheld Ofcom's decision and fine (which is now payable). In January 2020, Royal Mail requested permission to appeal the CAT's judgment to the Court of Appeal (CoA). On 30 March 2020, the CoA granted Royal Mail permission and indicated that a hearing would be held over one-to-two days in mid-2021.

In October 2018, Whistl filed a damages claim against Royal Mail at the High Court relating to Ofcom's decision. Whistl's High Court claim is on hold until after the completion of the appeal process. Royal Mail believes Whistl's claim is without merit and will defend it robustly if Whistl decides to pursue it (see Note 30 to the financial statements).

ii. COVID-19 update

COVID-19 has generated a range of major challenges in relation to the provision of regulated postal services. Understandably, our UK absence level increased significantly and, while it has now moderated, it remains much higher than normal. At the same time, the Company has, rightly, put in place a number of important social distancing measures (e.g. one person per van, etc.). These actions are vital to protect the safety of our colleagues. But, they do impact, in a material way, our ability to deliver to the requisite regulatory requirements.

At the beginning of the pandemic, we clearly communicated to customers that service disruption was, despite our best efforts, likely. We subsequently announced a six-week temporary relaxation of delivery frequency arrangements in relation to letters. This means that, for the six weeks to 13 June 2020, letters were delivered five days a week; we continued to deliver most parcels on a six days a week basis.

It is clear that it will take some time now for the UK to return to 'normal'. Accordingly, we expect that a range of social distancing measures could remain in place, in one shape or another, for some time. This may have a significant impact on our operations even as we have also increased our investment in quality measures. We are actively engaging with Ofcom on these issues.

iii. USO sustainability

The postal USO is a highly specified, longstanding UK Universal Service. As the physical delivery arm of e-commerce in the UK, it is a key part of the country's broadband economy. COVID-19 has again demonstrated the key role that the USO is playing in connecting companies, customers and communities across the nation. The postal USO is also the Post Office's main customer and is therefore key to ensuring its sustainability as well.

The unique structural circumstances relating to the USO, however, remain very much in place. Ongoing, and significant, structural decline in letters is coupled with intense competition in parcels. The USO operates in a fragile ecosystem. There are significant, and growing, risks to it, particularly with relation to its financial sustainability. Royal Mail has noted these risks before in a number of submissions to the Regulator and the Government.

Strategic report (continued)

Providing the Universal Service means being able to deliver to nearly 31 million addresses, six days a week. This requires high volumes - and revenues – to fund doing so. But, given the decline in letters, in the last ten years or so, the average number of items per address has almost halved from two to nearly one. At the same time, the ability of the regulated business to make profits to sustain itself – the USO is entirely market funded, with no Government funding – is coming under significant strain. In the last five years, the profits made by the Reported Business have fallen by about 95 per cent[1]. It is expected to be loss making in 2020-21.

Ofcom is continuing its User Needs Review of the Universal Service. We believe that many of the key USO features are valued by consumers and SMEs. They include uniformity, universality, affordability and measurability. But, they all have to be paid for at a time when COVID-19 has exacerbated the underlying problems facing the USO. For example, since the beginning of this financial year (2020-21) letter volumes have declined about 33 per cent, around four times the decline rate we saw in 2019-20.

For its part, Royal Mail has a stretching self-help programme in place. This involves significant investment in the Universal Service when our finances are under challenge; we expect to be materially loss-making in the UK this financial year. In addition, we plan to address the very specific challenges presented by COVID-19. We do not believe, however, that successful delivery of our transformation and COVID-19 mitigation plans will be enough in themselves to underpin the long-term stability of the USO.

That is why, alongside engaging with our unions on our own plans to put Royal Mail in a better position, we are working with the Regulator and Government on the Universal Service. This is all about ensuring it is financially underpinned, in a sustainable way, and future-proofed to meet customers' changing priorities. Ofcom will embark on a public consultation on the USO, and Royal Mail will engage, at the same time, with many stakeholders on a USO for the 21st century. From its own, detailed research, the Company anticipates that many of the current features of the USO should remain in place, subject to regulatory and Government approval. We look forward to the debate and engagement to come, including ensuring the Universal Service has the requisite financial resources to sustain itself.

1 The Reported Business is the regulated entity, defined by Ofcom, which delivers the USO.

Strategic report (continued)

Measuring performance

The 2019-20 Corporate Balanced Scorecard was refreshed and approved by the Royal Mail plc shareholders at the 2019 Annual General Meeting.

Note that the Company's financial performance is measured as part of the KPIs within the Royal Mail plc Group consolidated financial statements, using IFRS numbers, but adjusted for specific and underlying items that distort the reported results of the Company. These financial KPIs are not therefore disclosed in these financial statements.

Non-financial KPIs		Key activities and achievements in the year	Performance against target
Reduction in Lost Time Accident Frequency Rate	Targets a continually improving safety culture for employees, customers and communities. Measured as the total number of accidents resulting in an absence on the next day or shift, per 100,000 hours worked.	— Lost Time Accident Frequency Rate of 0.38, down 22 per cent compared with 2018-19.	**2019-20 Actual: 22% reduction (above target)** 2018-19: 9.2% reduction 2017-18: not a KPI
First Class Retail Quality of Service (%)	Regulated measure ensures we focus on the customer – and that cost containment does not impact service levels. Measured as percentage of First Class retail products delivered by the next working day, which may be adjusted for force majeure.	— First Class Quality of Service: missed 93.0 per cent target, with performance of 92.8 per cent. — Achieved 98.5 per cent Second Class mail target, with performance of 98.8 per cent.	**2019-20 Actual: 92.8% (below target)** 2018-19: 91.8% (below target) 2017-18: 91.7% (below target)

Strategic report (continued)

Principal Risks and Uncertainties

The table below details each principal business risk, those aspects that would be impacted were the risk to materialise, our assessment of the status of the risk and how the Company mitigates it.

<table>
<tr><th>Principal risk</th><th>Status</th><th>How we are mitigating the risk</th></tr>
<tr><td colspan="3">Transformation and the risk of industrial action
There is extensive trade union recognition in respect of our workforce in the UK, with strong and active trade unions. As Royal Mail continues to transform in order to remain competitive in the letters and parcels markets, including delivering its 'turnaround and grow' plan in the UK, there remains a risk of industrial action.</td></tr>
<tr><td>Industrial action

There is a risk that one or more material disagreements or disputes between the Company and its trade unions could result in widespread localised or national industrial action.

The absence of major industrial action is a key assumption underpinning the 'turnaround and grow' plan in the UK. The plan requires a high level of operational change in an increasingly competitive market. This has already put additional strain on the stability of our industrial relations.

Widespread localised or national industrial action would cause material disruption to our business in the UK. It would likely to result in an immediate and potentially ongoing significant loss of revenue for the Company. It may also cause Royal Mail to fail to meet the Quality of Service targets prescribed by Ofcom, which may lead to enforcement action and fines.</td><td>➢ High severity
➢ Increasing risk
➢ Fast speed

During the year, the threat of industrial action has impacted our UK business:
- our UK 'turnaround and grow' plan is behind schedule, in part due to the industrial relations environment.
- additional investment was required to protect service quality to manage the impact of the threat of industrial action on Christmas and the December 2019 UK General Election, which has impacted productivity for 2019-20.
- a small number of customers moved volumes to other carriers due to the threat of industrial action in December 2019.

Following the High Court ruling that the CWU's October 2019 ballot for industrial action was unlawful and void, we approached CWU in January 2020 to offer mutual interest talks. CWU withdrew from those talks.
On 4 February 2020, CWU announced a timeline for a further ballot for industrial action. On 17 March 2020, it confirmed 94.5 per cent of Royal Mail members who voted were in favour of industrial action. CWU has stated its intention to defer industrial action as we prioritise dealing with the COVID-19 pandemic and protecting our people and customers.

When we offered talks at the beginning of the year, we were clear we needed to proceed with key national trials and local operational improvements. All have been delayed by the industrial relations environment, in some cases, by well over a year. Since then, we have made progress with trials of automated clocking in and out and separate van delivery of larger and Next Day parcels. We have also commenced a small number of local change initiatives.</td><td>We are working with CWU during the COVID-19 pandemic to ensure we achieve our objectives to: i) safeguard the health and wellbeing of our people and the communities we serve; and ii) continue to deliver the best possible service to our customers during this unprecedented crisis. This has led to the temporary introduction of enhanced sick absence terms, and changes to ways of working.

We welcomed and appreciated CWU's statement that the COVID-19 crisis was not the time to take industrial action. We continue to engage, on a regular basis and at a senior level, with CWU and Unite/CMA on our plans for change. Our engagement with CWU follows our recent Joint Statement with the union whereby both parties committed to work on setting up a joint framework for talks to seek to resolve our dispute.

We have honoured all our Agreements with CWU. This includes two pay awards and an hour's reduction in the working week, amounting to an effective pay increase of around 10 per cent over two years. All the appropriate dispute resolution procedures have been followed and completed.

Our Agenda for Growth agreement with CWU provides a joint commitment to improved industrial relations and to resolving disputes at pace in a way that is beneficial to both employees and Royal Mail. There is a prescribed resolution process for disputes. The Agreement has legally binding protections for the workforce in respect of future job security and our employment model. These can be rescinded in certain circumstances, including in the event of national industrial action.</td></tr>
</table>

Strategic report (continued)

Principal risk	Status	How we are mitigating the risk
Transformation and the risk of industrial action (continued)		
Pension arrangements We recognise pension benefits are important. We will continue to provide sustainable and affordable pensions arrangements for our people. There is a risk that we may be unable to obtain the necessary legislative changes to enable us to implement the UK's first Collective Defined Contribution (CDC) pension scheme, as agreed with the CWU.	➢ **Low severity** ➢ **Stable** ➢ **Fast speed** The Royal Mail Pension Plan closed to future accrual in its Defined Benefit form on 31 March 2018. A new Defined Benefit Cash Balance Scheme was put in place from 1 April 2018. The overall ongoing cash cost of the transitional arrangements and the proposed CDC scheme is expected to continue to be around £400 million a year. The Pension Schemes Bill, of which CDC is a part, was tabled on 7 January 2020 and has started its progress through Parliament. The passage of the Bill depends on factors including the amount of parliamentary time made available.	We are continuing to work with CWU and Government to introduce the necessary legislative and regulatory changes so that we can introduce our proposed CDC pension scheme as soon as possible.

Strategic report (continued)

Principal risk	Status	How we are mitigating the risk
Transformation and the risk of industrial action (continued)		
Efficiency Royal Mail must become more efficient and flexible to compete effectively in the parcel and letter markets. The success of our strategy relies on the effective control of costs across all areas of the business and the delivery of efficiency benefits. We continue to operate a tight balance between achieving efficiency improvements and delivering high service levels. This requires careful management of efficiency and Quality of Service. In May 2019, Royal Mail launched its 'turnaround and grow' plan in the UK, with a range of financial and operating ambitions. There is a risk we will not be able to deliver our transformation programme and meet our required cost avoidance and productivity improvement targets during the life of the plan. COVID-19 has meant we, rightly, have had to introduce a range of social distancing measures in our processing and delivery operations (e.g. changing standard ways of working including one person per van). These arrangements may continue for some time. In turn, they may have an adverse impact on productivity.	➢ **High severity** ➢ **Increasing risk** ➢ **Fast speed** UK profits have declined more than 70 per cent since 2014-15, while costs have increased. Prior to COVID-19, the industrial relations environment was slowing the rate of change in the UK operation. Our productivity improvement for the year was 1.0 per cent, lower than our initial forecast of over 2 per cent. The 'turnaround and grow' plan focuses on efficiency and productivity in our UK network through a range of new, digitally enabled work tools, operational excellence and targeted investments. It maximises the benefits, particularly in delivery and processing, of joint letter and parcel delivery, and facilitates our transition to a parcels-led business where UK letters are important. Our 'turnaround and grow' plan in the UK is behind schedule. Combined with the impact of the COVID-19 pandemic, we believe it will now take longer to achieve the targets we have set, at a time when we need to be accelerating the pace of change in the UK. Our UK costs are increasing as we make necessary investment in quality measures and protective equipment for our people. This makes it even more important that we increase our efficiency.	Following the onset of the COVID-19 pandemic, we are prioritising the protection of our people and customers, whilst keeping mail and parcels moving. We have already committed around £40 million on buying equipment such as hand sanitiser, disposable gloves and other additional protective measures to keep our people safe. The outlook for our UK business is challenging. Before the COVID-19 pandemic took hold, our UK transformation was behind schedule. But, we had made progress in key areas relating to improving productivity. This included: Seeking to embed a range of digitally-enabled work tools to improve efficiency and productivity. We completed the deployment of our route optimisation tool in March 2020, improving visibility of changes to delivery routes and this has been used to deliver our first phase of delivery revisions. We are scaling up trials for Resource Scheduler, which draws together data from across the operation to enable better alignment of duty sets and rosters to demand. In January 2020, following the conclusion of our dispute resolution procedures with CWU, we confirmed we were moving ahead with key national and much-needed local change initiatives that had been delayed, in some cases, by up to a year. That includes extending our successful trial of automated clocking in and out for frontline colleagues at a small number of UK sites. We installed a further 10 parcel machines, meaning we now have 20 machines at 16 Mail Centres. This has driven the percentage of parcels sorted by machine to 33 per cent, close to three times the average number sorted automatically during 2018-19. Work has started on the next phase of this automation programme, which will add further machines into parcel sorting operations. We want to increase the overall proportion to over 80 per cent by installing automated machines in all Mail Centres by 2023-24 and building dedicated parcel hubs. Work continues on the parcel hubs. We have chosen the supplier for automation and have completed the fit out for the North West hub. We have signed a conditional agreement for a lease for our second parcel hub in the Midlands.

Strategic report (continued)

Principal risk	Status	How we are mitigating the risk
Transformation and the risk of industrial action (continued)		
Efficiency (continued)		We are implementing a range of immediate cost control activities and reducing capital expenditure in a measured way: • Management restructure, subject to consultation, targeting a reduction of c.2,000 roles out of a total population of c.9.700. • £250 million capital expenditure reduction across 2020-21 and 2021-22. Investment continues at higher than historical levels, including in parcel automation and hubs. Targeting flat non-people costs, excluding depreciation, in 2021-22 versus 2019-20, with £200 million annual savings in 2021-22 offset by increases in parcel volume related costs.

Strategic report (continued)

Principal risk	**Status**	**How we are mitigating the risk**
Customer expectations and Royal Mail's responsiveness to market changes The industry sectors in which we operate remain highly competitive, with customers demanding more and our competitors responding quickly to these changing demands.		
Customer expectations and Royal Mail's responsiveness to market changes	➢ **High severity** ➢ **Increasing risk** ➢ **Medium speed**	
Changes in customer expectations, and in the markets in which the Company operates, could impact the demand for products and services. Given the major cultural shift underway in UK society – more e-commerce and therefore fewer letters and more parcels – it is very important Royal Mail changes too. While we expect to handle many more parcels in the years to come, we think UK letter volumes will continue to decline. This structural decline is driven by e-substitution, lower GDP, the impact of GDPR and business uncertainty. We expect it to accelerate this year, due to the impact of COVID-19. There is a high degree of uncertainty about letter volumes due to the effect of COVID-19 and any subsequent economic slowdown. In addition, we may see a paradigm-shift as online retailing activity accelerates, driving more parcel growth. Our focus on productivity, through operational excellence and key work tools, is vital to remaining competitive in the UK parcels market – one of the most developed e-commerce markets in the world. So too is our network redesign, which, in combination with productivity gains, should protect the UK business, to some extent, from changes in customer demand.	Addressed letter volumes (excluding elections) did not show the expected level of recovery in the second half. Advertising mail in particular has been significantly impacted by COVID-19, as marketing campaigns are delayed or cancelled and moved to digital platforms. While B2C mail volumes have been more resilient, restrictions on individuals and businesses have adversely impacted unsorted and stamped mail. Due to the highly uncertain external environment we are unable to provide specific letter volume market guidance. However, we do expect letter volumes to decline substantially this year. See our stress test Scenarios for more information. The UK domestic and international parcels markets are highly competitive, with innovative delivery solutions including convenient, reliable delivery and return options, and improved tracking services. During the COVID-19 pandemic, UK e-commerce growth has significantly outpaced the wider UK retail market, resulting in very strong B2C volumes; initially we saw the strongest growth in sectors providing goods associated with the lock down, and while these continue to be strong all other major sectors have now recovered. International import and export parcel traffic had been adversely affected by the COVID-19 pandemic. Our network provides strong economics, particularly in the combined delivery of letters and small parcels. It is not currently optimised for the anticipated increase in Next Day and larger parcels.	We are transforming from a UK-focused letters business that delivers parcels, to a parcels-led, international business. Letters will remain an important part of our business. We will continue to deliver customer focused enhancements enabled by our 'turnaround and grow' plan. This includes leveraging parcel technology investments to bring to market new features to improve convenience and customer control in the UK and internationally, such as in-flight redirections, predicted day of delivery / shorter delivery windows, parcel post-boxes and doorstep collections. We will continue with our UK network transformation and increasing automation to a) maximise the benefits of delivering letters and small parcels together and b) handle more Next Day and larger parcels more efficiently. This will facilitate e-commerce growth and increase demand for our services. This year we will focus on winning and retaining as much of the current exceptional parcel growth as possible, with an emphasis on those customers and sectors that represent long term growth opportunities. We will continue to support this with regular service feature developments and continuous enhancements to our digital access and service channels such as the Royal Mail App. Our range of letter products, incentives and offers are designed to demonstrate how mail can help businesses. We will deploy a range of appropriate incentives to encourage customers to reconnect with using mail. New initiatives will also follow, designed to contemporise key product segments like consumer mail. We will also continue to promote the value of mail, including as and when the lockdown is lifted over time. As announced in June 2020, we are integrating Parcelforce Worldwide and Royal Mail International more closely into Royal Mail. These changes will ensure that we have one integrated domestic and international parcels strategy that best serves the changing needs of the market and customers.

Strategic report (continued)

Principal risk	**Status**	**How we are mitigating the risk**
Customer expectations and Royal Mail's responsiveness to market changes (continued)		
Economic and political environment	➢ **High severity** ➢ **Increasing risk** ➢ **Fast speed**	
Historically, there has been a correlation between economic conditions and the level of letter and B2B parcel volumes. Low rates of economic growth could impact our ability to maintain and grow revenue, either by reducing volumes or encouraging customers to adopt cheaper products or formats for sending letters and parcels. We are entering a period of significant uncertainty. The COVID-19 pandemic is taking us into uncharted territory and the extent to which UK and global economic activity will decline over the next few months is expected to be steeper than the financial crisis of 2008-09. How the economy will fare in three to six months is equally unclear and there is a risk that there may be additional spikes in COVID-19 infection rates. Economic forecasters are divided over how long the crisis will last and what a recovery will look like. These are matters we are unable to predict with any certainty. In addition, while the UK has left the EU and entered a transition period which runs to 31 December 2020, it is not clear whether this deadline will continue to hold, or what the outcome will mean for future UK and EU trading arrangements.	The Board continues to monitor the economic and wider external environment in the UK and our other markets. Specific areas of focus include: - Business uncertainty, alongside the recent slowdown in economic activity due to the COVID-19 pandemic, which is impacting letter volumes, including business and advertising mail. - In the UK, B2C parcel volumes have remained strong, supported by an increase in e-commerce as people shop more online. In the UK and some EU markets, international import and export parcel traffic has been adversely affected but is now in recovery. The extent to which these trends will be sustained depends in part on the evolution of the response to the pandemic in each country. - For 2020-21, there will almost certainly be a sharp and sustained economic downturn in our core markets. As in the UK, economic growth in the Eurozone is expected to slow down sharply in the short-term. The medium-term outlook is highly uncertain. Royal Mail's letters business performance remains closely aligned to UK economic growth. We therefore expect significant incremental rates of decline in the short term. Thereafter, the outlook for letters will be highly dependent on how the crisis evolves and Government's public policy response. In addition, over the medium to long term, both our letters and parcels business outlook will be shaped by events relating to the future trading relationship between the UK and the EU, which remain unclear. It is not possible to predict with any degree of accuracy the impact the UK's departure from the EU could have on the Company.	Macroeconomic risk assessments are embedded within our letters forecasting processes. In addition, a set of economic scenarios have been constructed to inform a range of scenarios that could be associated with COVID-19. These are being revised regularly as more information is obtained. The Company has the following strategies in place: - Maintaining a strong liquidity position, with good levels of cash, limited financial debt and retaining access to a £925 million bank syndicate loan facility. - Existing covenants have been waived until March 2022 and replaced with a basic liquidity covenant. - A cost avoidance programme to effectively manage cash and spending. - Business initiatives to respond to fluid competitive pressures. - A measured reduction in investment in the short term to underpin our financial position. - The Company's parent company, Royal Mail plc has the ability to access the Covid Corporate Financing Facility (CCFF), if required. Internal procedures are also in place to monitor and manage ongoing risks associated with the UK leaving the EU. Material risks are reported to and handled through a Brexit steering group which is comprised of senior executives. We believe the immediate risk to our domestic operations is low. The impact on cross-border parcel volumes will depend on the nature of the UK's future trading relationships, and what the future EU/UK customs and VAT arrangements will be. At the end of the transition period, we expect the rules which apply to non-EU imports to be extended to EU items. Similarly, we would expect the EU to treat UK imports as it does non-EU imports today. Strategies to address these risks include: - Accelerating the pace of change in the UK to deliver the requisite efficiency benefits. - Arrangements are in place to manage the expected impact of changes to customs processing. - Working closely with Government to put in place systems to ensure the movement of cross-border parcels continues to operate effectively. Royal Mail regularly engages with politicians and policy makers, and closely monitors the potential impact of political and policy changes on the Company. The Company runs an extensive public affairs programme with politicians and policy makers.

Strategic report (continued)

<table>
<tr><th>Principal risk</th><th>Status</th><th>How we are mitigating the risk</th></tr>
<tr><td colspan="3">Regulatory and legislative environment; and operational risks
The UK business operates in a regulated environment. Changes in legal and regulatory requirements could impact our ability to meet our targets and goals.</td></tr>
<tr><td>Our UK regulatory framework

USO finances are fragile. There are significant, and growing, risks to the USO's financial sustainability. Given the continuing structural decline in addressed letter volumes, and broader changes in the parcels market, Ofcom is continuing its monitoring of Royal Mail. It has brought forward some of the work it plans to undertake as part of its next review of the regulation of Royal Mail, which, overall, will be completed in 2022. Ofcom's review of the regulatory framework could lead to further intervention which could undermine the financial sustainability of the Universal Service.</td><td>➢ Medium severity
➢ Increasing risk
➢ Medium speed

Ofcom will continue to be focused on monitoring Royal Mail's efficiency. It will complete its bottom-up cost model of our operations and a review of our efficiency. It is also conducting research on user needs to assess whether the postal services market is meeting the reasonable needs of postal users.

The Universal Service, as we have stressed to Ofcom and Government, needs to meet the 21st century requirements of consumers and SMEs. In short, a contemporary USO is required. We have also noted the importance of considering the revenue pools needed to sustain the Universal Service, alongside the legitimate needs of consumers and SMEs. Given that the USO has high, fixed costs, irrespective of volume, it is also crucial to focus on underpinning USO and non-USO revenue pools to fund it.

As a result of the COVID-19 pandemic, we initially indicated that there could be some service disruption across the country. We subsequently announced a six-week temporary relaxation of delivery frequency arrangements in relation to letters. For that period, letters were delivered five days a week; we continued to deliver most parcels on a six days a week basis. Normal services resumed on 13 June 2020.

We welcomed Ofcom's statement that it would take a pragmatic approach to any changes to our regulated services during this unprecedented crisis.</td><td>A key aim of our 'turnaround and grow' plan for our UK business is to underpin the sustainability of the Universal Service. The plan will be challenging to execute. We will continue to ask Ofcom for its support, wherever possible, to facilitate its delivery. In doing so, we will note that our transformation is designed to help us become even more efficient and better placed to respond to changing customer demands. We will stress the power and economic value of the Universal Service as it makes commerce happen across the UK and connects customers, companies and countries.

Ofcom is conducting a User Needs Review about the Universal Service. We believe that many key USO features are valued by consumers and SMEs. They include uniformity, universality, affordability and measurability. But, they all have to be paid for at a time when COVID-19 has exacerbated the underlying problems facing the USO. For example, since the beginning of this financial year (2020-21) letter volumes have declined about 33%, around four times the decline rate we saw in 2019-20.

For its part, Royal Mail has a stretching self-help programme in place. This involves significant investment in the Universal Service when our finances are under challenge; we expect to be materially loss-making in the UK this year. In addition, we plan to address the very specific challenges presented by COVID-19. We do not believe, however, that successful delivery of our transformation and COVID-19 mitigation plans will be enough in themselves to underpin the long-term stability of the USO.

That is why, alongside engaging with our unions on our own plans to put Royal Mail in a better position, we are working with the Regulator and Government on the Universal Service. This is all about ensuring it is financially underpinned, in a sustainable way, and future-proofed to reflect changing consumer and SME needs and preferences. Ofcom will embark on a public consultation on the USO, and Royal Mail will engage, at the same time, with many stakeholders on a USO for the 21st century. From its own, detailed research, the Company anticipates that many of the current features of the USO should remain in place, subject to regulatory and Government approval. We look forward to the debate and engagement to come, including ensuring the Universal Service has the requisite financial resources to sustain itself.</td></tr>
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Strategic report (continued)

<table>
<tr><th>Principal risk</th><th>Status</th><th>How we are mitigating the risk</th></tr>
<tr><td colspan="3">Regulatory and legislative environment; and operational risks (continued)</td></tr>
<tr><td>Competition Act investigation

On 14 August 2018, Ofcom published its decision following its investigation into whether Royal Mail had breached competition law. The investigation was launched in February 2014, following a complaint brought by TNT Post UK (now Whistl). Ofcom found that Royal Mail had abused its dominant position in the market for bulk mail delivery services in the United Kingdom by issuing Contract Change Notices on 10 January 2014 which introduced discriminatory prices. It fined Royal Mail £50 million.

In October 2018, Whistl filed a damages claim against Royal Mail at the High Court relating to Ofcom's decision.</td><td>➢ High severity
➢ Increasing risk
➢ Slow speed

The Company robustly defended its conduct in written and oral representations made to Ofcom during the investigation and lodged an appeal with the Competition Appeal Tribunal (CAT) on 12 October 2018 to have both Ofcom's decision and fine overturned.

The main hearing for the appeal to the CAT took place in June and July 2019. On 12 November 2019 the CAT handed down its judgment on RMG's appeal, which upheld Ofcom's decision and the £50 million fine. As a result, Royal Mail has made a provision for the fine, which is now payable to Ofcom.

In January 2020, Royal Mail requested permission to appeal the CAT's judgment to the Court of Appeal (CoA). On 30 March 2020, the CoA granted Royal Mail permission and indicated that a hearing would be held over 1-2 days in mid-2021.</td><td>Royal Mail's appeal of the CAT's judgment will be heard by the CoA in mid-2021.

Whistl's High Court claim is on hold until after the completion of the appeal process.</td></tr>
<tr><td>Capability – Talent and strategic workforce planning

This risk brings together our risks of "Strategic workforce planning" and "Talent and capability" that were previously presented separately.

Our performance, operating results and future growth depend on our ability to attract and retain talent with the appropriate level of expertise.

The capability, experience and cohesion of senior management is integral to our transformation.

Workforce planning could be adversely impacted by an ageing workforce, and a reduction in available workforce due to the impacts of demographic change, Brexit and increasing automation.</td><td>➢ Medium severity
➢ Stable
➢ Medium speed
Voluntary turnover in senior management is at similar levels to prior years but remains a business risk.

As our workforce ages, it may be incapable of fulfilling physically demanding roles. We are developing a strategy to attract and retain younger workers, which means we need to review our employment proposition.

Our transformation, including implementation of our Enterprise strategy and increased automation, will change the nature of some roles, requiring new and different skills. We need to be able to upskill our existing workforce to develop these skills and ensure we can attract and retain people with the right skills for our organisation.

The impact of Brexit on the employment market is largely still unknown. It may influence the availability of workers, particularly if freedom of movement is at risk.

The medium and long-term impact of COVID-19 on Royal Mail is unknown. However, the mail mix/profile, and the economy generally, is likely to be quite different coming out of the crisis, for which scenarios are currently being modelled.</td><td>Executive search activity has continued to bring in external hires with key capabilities. We operate an internal Executive talent review and succession planning process and have in place leadership development programmes.

Leadership initiatives to aid the transformation agenda are in design; along with our approach for increasing diversity across this population, including 2024 targets agreed with the Inclusive Action Steering Group.

Resources, delivery methods and timescales for these and other activities in development are being impacted as a result of COVID-19.
We are monitoring the demographic profile of our workforce and tracking key external metrics such as the employment rate and demographics. We undertake market research and analysis and we perform industry benchmarking.

A Strategic Workforce Plan has been developed during 2019-20 and will be reviewed once the impact of COVID-19 is more clearly understood.</td></tr>
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Strategic report (continued)

Principal risk	**Status**	**How we are mitigating the risk**
Regulatory and legislative environment; and operational risks (continued)		
Health, safety and wellbeing The health, safety and wellbeing of our employees, contractors, agency workers and members of the public is of the utmost importance. There is a risk that a health and safety incident or global health crisis could result in serious injury, ill health or death of employees, contractors, agency workers or members of the public. An incident may lead to criminal prosecution or fines by the enforcing authority or civil action by the injured party resulting in large financial losses and reputational damage for the Company. Similarly, failure to manage the health and wellbeing of our employees could also lead to financial losses and reputational damage through increased sickness absence, lower productivity, failure to deliver our USO obligations, civil action or criminal prosecution.	➢ **Low severity** ➢ **Stable** ➢ **Fast speed** The business has a large number of employees including seasonal staff and agency workers. It also operates a very large fleet, employs a large number of contractors and interacts extensively with members of the public. A large proportion of our employees spend most of their time working outdoors, on foot or driving, where the environment is more difficult to control. Due to this wide reach and the number of people affected by the business' undertakings, the risk of serious harm to people cannot be totally mitigated. We acknowledge that every health and safety incident has a human impact. An integrated Safety, Health and Environment Management System (SHEMS) is in place to manage our risks and achieve legal compliance; ongoing maintenance addresses any emerging compliance gaps or risk controls. We continue to identify opportunities for simplification to make the SHEMS more accessible for managers. The COVID-19 pandemic poses a new and increased risk to public health. Our employees are classified as key workers as we form part of the country's essential infrastructure. We have an important role to play in keeping letters and parcels moving during the pandemic. This means that the effectiveness of our controls and processes to protect our employees are even more important.	We will continue to review SHEMS to identify any further opportunities for streamlining and simplification. We are investing in improved technology so risk assessment processes can be completed more easily by managers and better meet business needs. Operational implementation of SHEMS is monitored via an annual audit programme. A professional and independent SHE function provides advice, support and guidance on the implementation of standards. There is an annual SHE initiative and communications plan in place. This is informed by a review of compliance data, risk data, KPI performance and legislative requirements. Employees have access to health and wellbeing assistance through our Feeling First Class website, First Class Support helpline and Occupational Health provision. SHE performance is discussed and reviewed by the Board. Senior leaders are committed to driving full compliance to SHEMS. We have taken action to mitigate the risks to our employees and customers posed by the COVID-19 pandemic, including enhancing our sick pay policy and updating our operating procedures to limit contact between colleagues and customers. We have implemented PHE and WHO instructions and guidance through the development of internal policies, procedures, risk assessments, instructions and guidance. These arrangements have been communicated to employees through a dedicated, comprehensive multi-media communications campaign.
Major breach of information security, data protection regulation and/or cyber attack We collect, process and store confidential business and sensitive personal information due to the nature of our operations. As a result, we are subject to a range of laws, regulations and contractual obligations around the governance and protection of various classes of data to protect our customers, suppliers and employees. In common with all major organisations, we are the potential target of cyber-attacks that could threaten the confidentiality, integrity and availability of data and trigger material service and / or operational interruption. A major breach of information security, data protection laws, regulations and / or cyber-attack could adversely impact our reputation, result in financial loss, regulatory action, business disruption and loss of stakeholder confidence.	➢ **High severity** ➢ **Stable** ➢ **Fast speed** Given the evolving nature, sophistication and prevalence of these threats, including those presented by the current COVID-19 pandemic and our – still growing - reliance on technology and data for operational and strategic purposes, this continues to be a principal risk.	As external threats become more sophisticated, and the potential impact of service disruption increases, we continue to invest in security enhancement and data protection in response to the changing threats we face. We continue to support the education of our employees and stress the importance of maintaining vigilance across the business, whilst recognising that we cannot provide absolute mitigation against the risks. This is especially imperative during altered ways of working due to COVID-19. As a result of the pandemic, changes have been required to our operational processes and to working practices, including those of third-party suppliers who process our data.

Strategic report (continued)

Principal risk	Status	How we are mitigating the risk
Regulatory and legislative environment; and operational risks (continued)		
Environment and sustainability	➢ **Medium severity** ➢ **Increasing risk** ➢ **Slow speed**	
Climate change and regulatory actions designed to mitigate its impact may have adverse operational, financial and reputational consequences. The cost of operations could increase as a result of actions to mitigate and adapt to climate change. These include the introduction of Clean Air Zones, the future ban of petrol and diesel vehicles, and net zero emission targets for towns and cities. An increase in the frequency of extreme weather events may result in disruption to our operations. It may also impact our ability to meet USO or other contractual requirements. We may also see price rises as a result of resource scarcity, such as water shortages, and increased costs associated with insurance premiums, investment in equipment to protect the business from extreme weather events, and any associated repairs. In common with all major organisations, there could also be a risk of reputational damage – impacting our 'licence to operate' – if the business is perceived to not be responding appropriately to stakeholder expectations for action on climate change.	With the UK's largest 'Feet on the Street' network of around 90,000 postmen and women, Royal Mail plays a key role in keeping carbon emissions low. We have a requirement to maintain a large fleet of vehicles. Growth in parcels is also driving up our energy demand. We recognise our responsibility to reduce our environmental impacts. Our environmental programmes have already reduced our UK emissions by 31.9 per cent since 2004-05. We continue to invest and implement changes to improve the efficiency of our operations. This includes investment in zero- and low-emission vehicles and the installation of efficient equipment across our property estate. We engage our people in our efforts to become more efficient and reduce our use of natural resources.	We are launching our new environmental strategy in 2020-21. It has three key pillars: emissions reduction, cleaner air, and resource efficiency. Our target is for our operations to be net zero by 2050. We are increasing the number of electric and alternative fuel vehicles in our fleet to reduce emissions and improve air quality. We are investing in innovative technologies, such as telemetry, and driver training programmes, to reduce the amount of fuel we use. We also continually work to optimise our transport network, to ensure it is as efficient as possible. We are also taking proactive steps to reduce our energy and water consumption, and reduce the amount of waste we send to landfill. For example, we have invested in new boilers and energy efficient lighting.

Strategic report (continued)

Principal risk	Status	How we are mitigating the risk
Regulatory and legislative environment; and operational risks (continued)		
Business Continuity and crisis management We have a responsibility to provide sustained and continued postal services under the Universal Service. There is a risk that we may fail to successfully respond to, recover from, or reduce the impact of a major threat or disruptive incident that could cause widespread operational disruption and financial loss to the Company. Previously this risk was monitored at business unit and functional level but was not considered a principal risk due to the modular and geographically diverse nature of our operations providing natural mitigation. The widespread and enduring nature of the current global pandemic has increased the likelihood of the inherent risk materialising, and as such this is now being recognised as a principal risk to the Company.	➢ **Medium severity** ➢ **New risk** ➢ **Fast speed** The outbreak of the virus COVID-19 has been declared a pandemic by the World Health Organisation and now presents an unprecedented global crisis. Governments worldwide have imposed restrictions on the movement of people and imposed necessary measures which have had, and continue to have, a significant effect on our UK and International businesses. Royal Mail staff are recognised by Government as key workers, essential to keeping the country connected during this time. We are adapting and responding to the rapidly evolving risks accordingly, in line with our already existing Business Continuity Management Framework.	Following the onset of the COVID-19 pandemic, we are prioritising the protection of our people, the country and our customers, whilst keeping mail and parcels moving. We are actively monitoring the rapidly evolving COVID-19 threat and have invoked a comprehensive business continuity and crisis management response across the Company in line with our framework. We are engaging closely with the Government, public health authorities, Ofcom, and customers to implement necessary changes in response to government, PHE and WHO advice. For example, limiting contact between colleagues in our operations, with customers on delivery and at Customer Service Points. Steps have been taken to minimise the impact on services as much as possible. The pandemic has brought together all functions across the Business in a cohesive response. We have established Gold, Silver and Bronze response teams which have Executive, Director and Senior Management leadership, providing regular reports to the Royal Mail plc Board. Daily communications are cascaded to all employees to keep them informed of current developments. We are in regular dialogue with Government officials, key stakeholders and suppliers.

Strategic report (continued)

Financial risk management objectives and policies

Interest rate risk

The Company's policy is to manage its net interest expense using an appropriate mix of fixed and floating rate financial instruments, combined with external hedging of interest rate risk, as appropriate, to keep a high percentage of its gross debt fixed. At 29 March 2020, there was no external hedge of interest rate risk (2018-19: none). Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Foreign currency transaction risk

UKPIL is exposed to foreign currency risk due to interest payments on the €500 million and €550 million bonds, certain obligations under Euro-denominated leases, trading with overseas postal administrations and various purchase contracts denominated in foreign currency.

Where possible, exposures are netted internally. Any remaining exposure is hedged using a combination of external spot and forward purchase and sale contracts. Hedging will not normally be considered for exposures of less than £1 million. Hedging is normally confined to 80 per cent of the forecast exposure, where forecast cash flows are highly probable.

Foreign currency translational risk

The Company's functional currency is Sterling (£). The €500 million bond issued in July 2014; €550 million bond issued in October 2019; €6 million (2018-19: €15 million) Euro-denominated leases; €487 million (2018-19: €487 million) loan to Royal Mail Investments Ltd (a subsidiary of the Company); and the UKPIL Euro-denominated lease payables, are revalued at closing Sterling/Euro exchange rates, and the gains/losses recognised in the income statement.

The proceeds from the €500 million and €550 million bonds issued by Royal Mail plc in October 2019 have been loaned to the Company. The €550 million bond is fully hedged by the Company for foreign currency risk by a cross currency swap. The gains/losses on this bond are offset by gains/losses on the revaluation of the cross-currency swap. During the year, foreign currency exchange losses on the bonds of £15 million (2018-19: £5 million gain) and foreign exchange losses on the lease payables of £2 million (2018-19: £1 million gain) were largely offset by foreign exchange gains of £15 million (2018-19: £5 million loss) on the loan to Royal Mail Investments Ltd and were recognised in the income statement.

Commodity price risk

UKPIL is exposed to fuel price risk arising from operating one of the largest vehicle fleets in Europe - which consumes over 130 million litres of fuel per year – and a jet fuel price risk arising from the purchasing of air freight services. The Company's fuel risk management strategy aims to reduce uncertainty created by the movements in the oil and foreign currency markets. The strategy uses forward commodity price swaps in US Dollar or Sterling and forward currency purchase contracts to manage these exposures.

Credit risk

The level of credit granted to customers is based on a customer's risk profile, assessed by an independent credit referencing agent. The credit policy is applied rigidly within the regulated products area to ensure that UKPIL is not in breach of compliance legislation. Assessment of credit for non-regulated products is based on commercial factors, commensurate with the Company's appetite for risk. An analysis of aged debt is included within Note 16.

The Company's exposure to credit risk from other financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 29 March 2020, 96 per cent (2018-19: 83 per cent) of financial assets were held with AA or above rated counterparties.

None of the financial assets is either past due or considered to be impaired.

Liquidity risk

The Company's primary objective is to ensure that it 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. Borrowing facilities are regularly reviewed to ensure continuity of funding. The unused committed facilities of the Company of £225 million expire in 2024 (2018-19: £1,050 million expiring in 2020-22).

Strategic report (continued)

Corporate responsibility

Our purpose – through the Company and its overseas subsidiary – is to 'Connect customers, companies and countries'.

In the UK the Company has a specific legal duty to deliver the Universal Service; the one-price-goes-anywhere service on a range of letters and parcels to nearly 31 million addresses across the country, six days a week. This legal corporate purpose makes us very different to other companies.

Our purpose is underpinned by our strategy, values and corporate culture. Our corporate responsibility (CR) strategy, in turn, supports the delivery of our business strategy. It also protects our trusted position in society. Effective management of environment, social and governance (ESG) issues can result in significant benefits and competitive advantage.

Our CR strategy comprises the following six key objectives:

- Delivering economic and social benefit to the communities we serve;
- Managing the environmental impacts of our business operations;
- Driving colleague advocacy for the Company and its role in communities;
- Delivering our transformation responsibly;
- Operating with integrity; and
- Communicating our management of CR openly and transparently.

We report progress against our objectives under the main areas of Customers, People, Community, Environment and Suppliers. Members of the senior leadership team take responsibility for each of these areas.

Determining materiality

We communicate proactively with stakeholders and offer a range of channels for them to engage with us. We seek to understand their perspectives about our business and our responsibilities as an important part of the social and economic infrastructure of the countries in which we operate. This year, we completed our materiality assessment; we do this every two years. We sought stakeholders' views through one-to-one interviews, surveys and an external stakeholder panel.

The assessment identified the following issues as being of most importance to both Royal Mail and our stakeholders:

- Climate change
- Engagement and culture
- Labour standards and human rights
- Customer service
- Health, safety and wellbeing
- Diversity
- Community impacts

We use this feedback to tailor our activity and reporting. For example, in response to feedback, we have provided more information about how we manage environmental issues in this chapter. A full description of our materiality assessment is in the 2019-20 CR Report in the Royal Mail plc Annual Report and Financial Statements.

Sustainability risks and opportunities

We assess risks and opportunities arising from social and environmental issues relevant to our business at least once a year. We use our risk management framework to determine the criticality of risks. The risks deemed most critical to the Company are set out on pages 10 to 20.

Our customers

We are proud of the role we play connecting customers, companies and countries. Our ambition is to build a parcels-led, more balanced, and more diversified, international business. We aim to achieve this through our strategy.

Keeping the country connected

Royal Mail played an important role in the response to the COVID-19 pandemic. In all instances, the health and wellbeing of our people and the communities we serve was our priority. We committed around £40 million to buying equipment such as hand sanitiser, disposable gloves and other additional protective measures to keep our people safe.

Our people worked hard to deliver as comprehensive a service as possible throughout the crisis. We are a lifeline for communities across the country. The delivery of parcels and letters is a way of keeping the country connected, businesses operating, and helping many people who may not have the option to leave their homes.

We supported Government with the delivery and return of coronavirus tests for NHS and social care frontline staff. The initiative enabled NHS staff to receive and complete a coronavirus test at home. Many customers relied on Royal Mail to bring them medication and pharmaceutical supplies, hospital appointments and other crucial communications.

Strategic report (continued)

We worked with the CWU to implement measures to protect our people and customers. We adjusted our operational processes for items that could not fit through letterboxes, and those that required a signature. For example, we paused the use of handheld devices to capture signatures, instead logging the name of the person accepting the item. For customers collecting mail from us, we issued guidance on how to reduce contact and maintain safe distances in our Customer Service Points.

We also supported the UK Government's public information campaign on coronavirus, designed to provide information and guidance to UK households. In addition, we added a coronavirus postmark to millions of mail items during the course of the crisis. The postmark featured the UK Government's message to "Stay Home, Protect the NHS, Save Lives".

Operating with integrity

Royal Mail's Business Standards describe the behaviours we expect of our people. Broadly, these cover: doing the right thing, following the law, acting honourably and treating others with respect. All new employees are required to complete an e-learning course about our Business Standards when they join the Company.

We have a strict zero-tolerance policy towards bribery and corruption. Our dedicated Anti-Bribery and Corruption policy is groupwide; it applies to Royal Mail, and anyone performing services on our behalf. It sets out our approach to minimising the risk of bribery and corruption taking place in any part of our business.

All employees are required to complete an annual anti-bribery and corruption course. New employees are required to undertake this when they join the company. We also deliver face-to-face training for colleagues in high risk roles. We encourage employees to use our confidential whistleblowing helpline, 'Speak up', to report any wrongdoing, suspected or otherwise. It is also available to suppliers, business partners, and their employees.

Human rights

The Company is dedicated to protecting human rights throughout our operations. We work to implement the UN Guiding Principles on Business and Human Rights, as well as the UN Declaration of Human Rights and the International Labour Organization Fundamental Conventions. These cover freedom of association, the abolition of forced labour, equality and the elimination of child labour.

We recognise that human rights violations, including forced labour and trafficking, can occur in all sectors and countries. As a responsible business we are committed to playing our part to help eliminate it. Our Modern Slavery Act statement provides details of the approach we take. It sets out the risks we have identified and the steps we have taken to mitigate them. We strive for continuous improvement and welcome feedback from stakeholders.

Fraudulent mail

Royal Mail never knowingly delivers scam mail. We understand the upset and distress that it can cause. We work closely with employees, industry partners and law enforcement agencies to tackle the issue. We championed an industry-wide Code of Practice some years ago. It commits all major UK mail operators to share intelligence that will help to eliminate scam mail from our networks. We have stopped almost 5 million items of scam mail from reaching our customers since 2016. Over time, our combined initiatives have significantly reduced the amount of fraudulent mail scammers attempt to have delivered in the UK.

Our people

Engagement and culture

Our people play a key role in helping us to achieve our strategic priorities. Engaged, committed employees are crucial to our success.

We measure employee engagement through our annual Employee Engagement Survey. We also use the survey to measure our Culture Index, to help us understand colleagues' alignment to our values and behaviours. This year, our Culture Index scored 57 points. We also monitor employee retention rates and the levels of diversity across the organisation.

Culture and engagement are standing items on the agenda for the new Corporate Responsibility Committee. The Committee will review outcomes of our employee engagement and inclusion activities, such as our Employee Engagement Survey and the Employee Voice Forums, as well as monitoring whistleblowing, and bullying and harassment complaints.

Strategic report (continued)

In February, we launched our 'Ambassador Programme'. This involves over 300 senior Operations leaders briefing colleagues face-to-face about our transformation. It aims to help colleagues understand what the transformation means for them personally and enables them to provide feedback directly to our leadership team.

Our target culture, supported by our values and behaviours, is defined as:

We're proud to work for Royal Mail. What we do matters to people. We listen. We're trusted. Each of us is respected. We go the extra mile for our customer and for each other. Everyone contributes and works together to deliver our promises, finding ways to be more successful – faster and better than before and beating our competition.

Working with our unions

A productive and cooperative working relationship with our unions is a core part of our strategy. We recognise two unions: the Communication Workers Union (CWU) and Unite/CMA. Around 89 per cent of our operational and administrative grade employees are members of CWU. Approximately 65 per cent of our managers are members of Unite/CMA. In total, around 98 per cent of our people are covered by agreements with these two unions.

In March 2020, CWU balloted its members on industrial action. We were disappointed that CWU members voted in favour of industrial action. With a 63.4 per cent turnout – and taking into account frontline employees who are not union members – 56.4 per cent backed industrial action.

We welcomed CWU's statement, following the ballot outcome, that now is not the time to take industrial action. We contacted CWU to work together to protect our people, our country and our Company.

As the coronavirus crisis has developed, we worked with CWU to formulate and implement the appropriate sick pay and absence policy for our colleagues. Colleagues, including those with less than one year's service, received full pay in relation to any coronavirus illness or self-isolation.

Health and safety

Ensuring a safe and healthy working environment is a top priority. We include a safety measure in our Corporate Balanced Scorecard. This links managers' remuneration to safety performance improvement. Our groupwide Health and Safety policy outlines our commitment to our people. It is operationalised through our integrated Safety, Health and Environment (SHE) Management system. This provides the framework for managing risk, improving our safety performance and maintaining a safe, healthy and environmentally responsible workplace. This year, we launched a new 'Safety Risk Assessment' e-learning training course for managers. We recorded a Lost Time Accident Frequency Rate (LTAFR) of 0.38 per 100,000 hours worked, a decrease of 22 per cent compared with 2018-19.

Our Road Traffic Collision Frequency Rate is another key safety metric. We invest in driver training and road safety campaigns to promote safe behaviours. This year, we reduced our Road Traffic Collision Frequency Rate by 2.5 per cent compared with 2018-19.

Despite our best efforts to reduce road accidents, we regret to report that seven people tragically lost their lives last year in accidents involving our vehicles. We thoroughly investigate all accidents to determine the root cause and identify any lessons to be learned. Our investigations and findings are discussed by the Board. We also recorded an increase in sick absence this year, from 5.41 per cent in 2018-19 to 5.87 per cent in 2019-20. Musculoskeletal and mental health issues remain the leading long-term causes. Our efforts are focused on addressing these. We continue to deliver initiatives to support colleagues' mental health. We aim to increase awareness, reduce stigma and provide tools and guidance for better mental health. We currently have 315 health and wellbeing ambassadors, up from 160 last year. They play an important role locally, in promoting mental and physical health and offering peer-to-peer support. Our approach was recognised by a number of high profile awards during the year.

Diversity and inclusion

Royal Mail believes that diversity involves more than just a workforce with representation from a wide variety of groups. It also involves giving every one of those groups a voice and valuing the contributions from all of our people. We are committed to creating a welcoming and inclusive environment for everyone, placing fairness, diversity and respect at the heart of our business. We aim to create a welcoming and inclusive working environment for all our people. We are a signatory of the Race at Work Charter. We also support Business in the Community's Gender and Race Equality campaigns to understand and follow best practice.

Strategic report (continued)

Royal Mail celebrates diversity and inclusion events throughout the year. Our ongoing inclusion campaign, 'Altogether Different', includes focused national inclusion weeks in September and January. We continue to take steps to make our recruitment process more inclusive and accessible. We are committed to recruiting diverse talent so that our workforce reflects the communities we serve. Royal Mail is dedicated to supporting disabled applicants from application through to employment. We provide training, career development and promotion opportunities. Royal Mail is proud to have achieved Disability Confident Employer status. We continue to ensure all Operations managers undergo mandatory Disability and Reasonable Adjustments training. This is to ensure they are confident and effective in supporting colleagues with disabilities. We provide support and training as required for colleagues with existing disabilities or for those who have become disabled during their employment, for example in assistive technology and software.

Gender diversity

In 2019-20, in the UK Royal Mail was named as one of The Times Top 50 Employers for Women for the sixth consecutive year[1]. Royal Mail's diversity strategy aims to increase the number of women in management positions. Supporting female colleagues' career development is a key part of this.

Rewarding colleagues fairly for their work is another key priority. Every year, we conduct a company-wide review of pay for men and women. This year's review confirmed that average salaries paid to men and women are broadly the same. However, more men are in work that qualifies for allowances, such as shift work during the evening or night. As a result, on a mean basis, women are paid 2.1 per cent less than men. On a median basis, men are paid 3.5 per cent more than women. This compares to a national average gender pay gap on a median basis of 17 per cent across all industries, calculated by the ONS in 2019. We pay bonuses equally to men and women on a median basis. However, on a mean basis, bonuses are higher for women, as there is a higher proportion of women in our management population, compared to the operational population.

Rewarding people fairly

We have the best terms and conditions in our industry in the UK. We offer permanent employees a competitive salary, paid holiday and a good pension. Around 99 per cent of our employees are on permanent contracts. Sixty-eight per cent of our employees are full-time, with 32 per cent working part-time, up from 31 per cent the prior year. Our frontline employees' annual pay has increased by 15.2 per cent since our privatisation in October 2013. Over the same period, UK national average annual earnings have increased 13 per cent[2]. In 2019-20, postmen and women earned 42 per cent more than the National Living Wage. At approximately £393 million per annum, we believe we make one of the largest cash contributions to our employees' pensions of any UK company. Many of our people are shareholders in the Company. As such, they have a meaningful stake in its success. Around 100 million free shares were gifted to colleagues at privatisation.

Work life balance

We strive to support employees to manage a work life balance. We want to ensure our people have a positive experience at work when they have a family – whether that is supporting them during their pregnancy, parental or adoption leave, or during their return to the workplace. We have formal policies for maternity and adoption leave and offer employees up to 26 weeks' fully paid leave.

Investing in our future

We offer learning and development opportunities to colleagues at all levels of our organisation. This supports the delivery of our business strategy. We aim to provide the tools, knowledge and resources for people to have fulfilling careers at Royal Mail. In 2019-20, we invested nearly £7.4 million in training, equating to around 20,000 training days. This is an increase of £0.5 million since 2018-19.

Apprenticeships and graduate schemes are key to bringing new talent into the organisation. In 2019-20, over 400 people were enrolled in our apprenticeship and graduate schemes. We offered opportunities in technology, logistics management and engineering.

1 The 2020 results have been delayed, so the results are unknown at this time.

2 Office for National Statistics.

Strategic report (continued)

Our communities
We are a valued and trusted part of our communities. We use our core business competencies, people and brand to benefit good causes. We make the seventh biggest contribution – in terms of gross value added – of any UK company to the UK economy[3]. This is through the employment we provide, the suppliers we work with and the taxes we pay. One in every 194 jobs in the UK is provided by Royal Mail[4]. We provide employment in every community, including in some of the UK's most disadvantaged areas. In 2019-20, the Company contributed £5.2 million to good causes and charitable schemes. This includes matched giving for colleague fundraising and the cost of our Articles for the Blind service. In addition, our colleagues raised £2.8 million for charity. Over the last 30 years, our people have donated £64 million through payroll giving alone.

Our suppliers
Our impact extends beyond our direct business operations. Through our extensive supply chain, we have an opportunity to raise standards of social, environmental and ethical conduct. We also generate significant economic value for communities. This year, we contributed around £2.3 billion in the UK through our procurement of goods and services alone. Our UK suppliers are required to comply with our Responsible Procurement Code of Conduct. It is based on the Ten Principles of the UN Global Compact. It helps us manage risks in the supply chain and promote responsible practices across human rights, labour rights, environment and anti-corruption.

We believe we only engage suppliers that meet our standards in social, environmental and ethical practices. Once engaged, we work with suppliers on an ongoing basis to ensure a high level of conduct. If we find that a supplier is failing to meet our standards, and any remedial action is found to be inadequate, we would terminate our dealings with them.

Our environment
The Company is committed to Delivering a Cleaner Future. Environmental considerations are a fundamental part of the way we operate. With the UK's largest 'feet on the street' network of around 90,000 postmen and women, Royal Mail plays a key role in keeping emissions low. Sustainable management of natural resources is a commercial imperative, as well as an environmental one. Effective management of environmental issues can present a competitive advantage. We are working to implement the recommendations of the Task Force on Climate-related Financial Disclosures. This means ensuring we have appropriate governance, risk management, strategy and metrics to address the impacts of climate change on our business.

Fleet emissions
As the Universal Service Provider, we are required to maintain a large fleet of vehicles. Nearly two-thirds of our emissions stem from our vehicles and transport. Improving our fleet fuel efficiency will, therefore, be a key part of delivering our carbon reduction targets. We are committed to taking action to reduce our emissions and improve air quality. Our vehicle strategy is focused on three areas:

— Improving fuel efficiency, through behaviour and driving styles;

— Investing in alternative fuel vehicles, advanced technology and vehicle types; and

— Ensuring an efficient transport network, using cutting-edge routing technology and maximising capacity in our vehicles.

We continue to trial and deploy technology to reduce our environmental impact. In 2019-20, we successfully introduced new trucks fuelled with Bio-CNG. These offer significant reductions in CO_2e and air emissions when compared with their diesel equivalent.

We use telemetry systems to influence safer and more fuel-efficient driving. In 2019-20, telemetry helped us save approximately 177,000 litres of diesel. This equates to around 459 tonnes of CO_2e. Approximately 61 per cent of our vehicle fleet is fitted with telemetry.

We use a combination of road, rail and air to deliver letters and parcels. We maximise capacity by loading mail items as efficiently as possible. During the year, we added 211 double deck trailers to our fleet. These deliver a four per cent fuel efficiency improvement and greater load capacity. We minimise our use of air transport to reduce CO_2e emissions and costs. We only use airmail to meet our First Class, Special Delivery and priority traffic obligations.

3 CEBR research, conducted for Royal Mail in May 2020, comprising direct and indirect contributions.

4 CEBR research, conducted for Royal Mail in May 2020.

Strategic report (continued)

Buildings emissions
Royal Mail maintains a large property portfolio, ranging in size, age and use. Climate change legislation and uncertain energy prices make energy management a key priority. Energy used by buildings contributed 24 per cent of our carbon footprint last year. We identified a series of practical, cost effective initiatives, to help reduce our consumption and the associated emissions. These include behavioural change programmes, and the installation of hardware, such as additional roll out of LED lighting and controls. Our Energy Bureau system highlights sites with highest usage or those with abnormal consumption patterns. This enables us to better understand our usage and target energy and cost savings. The majority of our buildings are heated using gas boilers. During 2019-20, we replaced 112 gas boilers with more efficient systems. Our total electricity consumption decreased by 0.7 per cent in 2019-20. Our gas consumptions decreased by 6.7 per cent. Overall, emissions arising from our buildings reduced by 8.3 per cent.

Focus on air quality
We recognise the impact of poor air quality on some of the communities in which we operate. We understand we have a role to play in improving air quality. This is a key part of our environment strategy. Long-term, our aim is that 100 per cent of our fleet will be powered by renewable energy by 2050. In 2019-20, we introduced another 193 electric vehicles into our fleet, bringing our current total to 295. At Mount Pleasant, one of our largest Mail Centres, we have 87 electric vehicles in operation. This is helping to reduce emissions from our fleet in central London. We continue to trial electric vehicles in different class sizes. We are currently working to trial and deploy trikes, micro vehicles and other alternative fuel vehicles such as Bio-CNG trucks. The outcomes of trials inform our forward-planning and vehicle purchase strategy.

Resource efficiency
In 2019-20, we set new targets for resource efficiency. We aim to reduce the amount of waste generated, and the amount of water consumed, by 25 per cent by 2030, compared with 2018- 19 levels. As part of this, we will undertake a full "cradle to grave" review of packaging waste generated by our business. We manage our waste in accordance with the waste hierarchy. During 2019-20, we generated 38,692 tonnes of waste, an increase of 10 per cent from the prior year. We continue to focus on reducing waste generated, while increasing the amount of materials we reuse, redeploy or recycle. Our 'Green Parts' initiative, for example, extracts parts from vehicles that are due to be decommissioned. We then look to reuse these parts in our fleet. We saved the business over £2.4 million in 2019-20 doing this.

We are committed to reducing our water use. Reducing our water consumption also presents a cost-saving opportunity for Royal Mail. We mainly use water for domestic purposes, such as keeping washroom facilities, vehicles and equipment clean. This year, we undertook a review of our vehicle washing activities. A trial of waterless washing was successfully completed during the year. Following the trial at our Home Counties North Mail Centre, we are looking to use this method of washing for the whole fleet at the site in early 2020-21. We will also assess the suitability of rolling out waterless washing to other UK sites this year. In 2019-20, our water consumption was around 1,419,440 m3.

Our taxation strategy
Our strategy sets out our key principles and approach. Royal Mail has a low risk appetite in relation to tax matters. We make decisions with due regard to our reputation, integrity and status as a company listed on the London Stock Exchange. We comply with all applicable tax laws.

Section 172 statement
The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered and had regard to the interests of key stakeholders and the broader matters set out in Section 172(1)(a-f) of the Companies Act 2006 ("S172") when performing their duty to promote the success of the Company.

Section 172 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decisions in the long term;
b. the interests of the company's employees;
c. the need to foster the Company's business relationships with suppliers, customers and others;
d. the impact of the Company's operations on the community and environment;
e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly as between members of the Company.

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit if its members as a whole, and in doing so have had regard to the matters set out in S172, in the decisions taken during the year.

Strategic report (continued)

Significant levels of engagement are often undertaken by the broader business ahead of many of the Royal Mail Group projects and activities being presented to the Board. This engagement is often governed by formulated policies, control frameworks, regulation and legislation.

The Company is a member of the Royal Mail Group ("the Group") and has adopted all applicable Group policies and procedures, including the Royal Mail Business Code of Conduct, Corporate Responsibility Policy and the Equality and Fairness Policy.

Principal decisions

We define principal decisions as decisions taken by the Board that are of a strategic nature and/or are significant to any of our key stakeholder groups. Our key stakeholder groups are defined at Group level and are as follows:

1. Shareholders
2. Colleagues
3. Unions
4. Customers
5. Regulators
6. Government
7. Local Communities
8. Suppliers

In order to demonstrate how the Directors have had regard to their duty under S172, we have highlighted three principal decisions considered by the Board during the year in the table below.

The relevance of each stakeholder group's interests may differ depending on the proposal being considered. We understand that Board decisions will not necessarily always results in a positive outcome for all of our stakeholders, but by considering our purpose, values and our strategy, and having regard for all our stakeholders, the Board aims to ensure that its decisions promote the long-term success of the Company.

Dividend payments	
During the year the Board considered a proposal to pay a 2018-19 full year dividend of £170 million and a 2019-20 interim dividend of £80 million to its parent company, Royal Mail plc, in September 2019 and January 2020 respectively. How were stakeholders considered? The Board recognises the importance of dividend payments to the Royal Mail plc shareholders and the value shareholders place on dividends as a source of income. The Board also considered Royal Mail employees, many of whom hold shares in the Company following the free share awards gifted to eligible employees at privatisation. The Board considered the Company's balance sheet, the current economic climate and the financial obligations of the Company in the short and long-term. The Board agreed that the dividend payments were appropriate and in the best interest of the Company's stakeholders.	Outcome The Board approved the dividend payments to its parent Company, Royal Mail plc which subsequently paid out to the Company's shareholders.

Strategic report (continued)

COVID Corporate Finance Facility (CCFF)	
Following the outbreak of COVID-19, the Board considered one of the Bank of England's financial support measures, the CCFF, which offered eligible issuers access to short term debt via issue of Commercial Paper. Royal Mail was eligible to access the CCFF for up to £600 million. The Board considered the effects of the outbreak of COVID-19 on the Group and the economic uncertainties it could cause. Whilst the Group has a strong liquidity position and there was no intention to draw on the CCFF unless necessary, the Board agreed that having the option to access the facility would be beneficial to maintain sufficient liquidity if required. How were stakeholders considered? The Board considered that entering into the CCFF was in the best interests of all stakeholders. The option to draw on the CCFF would ensure that the Group has enough liquidity if required to continue to operate as a business and meet our Universal Service Obligations and customer needs.	Outcome The Board approved Royal Mail entering into the CCFF. The CCFF could be drawn by the Group up to March 2021 and was available for a period of up to 12 months from the drawdown date.
Facilities Agreement	
The Board considered obtaining a covenant waiver from its bank syndicate which removed the bank syndicate loan facility net debt/EBITDA and EBITDA/interest covenant tests for September 2020, March 2021 and September 2021, but which were replaced by a minimum liquidity covenant of £250 million. How were stakeholders considered? The Board considered that agreeing with its bank syndicate to waive existing covenants until March 2022 would provide the Group with sufficient flexibility to make the business decisions required to meet our Universal Service Obligations and customer needs and not breach any financial covenants and was therefore in the best interests of all stakeholders.	Outcome The Board agreed the covenant amendment that waived the existing financial covenants until March 2022 and replaced them with a quarterly minimum liquidity covenant.

As the Company forms part of the wider Group, stakeholder engagement also took place at Group level. You can read more about how the Royal Mail plc Group Board engaged with stakeholders during the year in its Annual Report and Accounts for the year ended 29 March 2020, which can be found at www.royalmailgroup.com.

The Strategic report was approved by the Board on 16 July 2020 and signed on its behalf by:

Stuart Simpson
Director
Royal Mail Group Limited
Registered Number: 04138203
Registered Office: 100 Victoria Embankment, London, EC4Y 0HQ
16 July 2020

Directors' report

The Directors present the Annual Report and Financial Statements of the Company. These financial statements relate to the 52 weeks ended 29 March 2020 (2018-19: 53 weeks ended 31 March 2019).

Directors and their interests
The following have served as Directors of the Company during the year ended 29 March 2020 and up to the date of approval of these financial statements, unless otherwise stated:

Stuart Simpson	
Sally Ashford	Appointed 16 April 2020
Michael Jeavons	Resigned 18 March 2020
Rico Back	Resigned 15 May 2020

No Director has a beneficial interest in the share capital of the Company.

With the exception of Michael Jeavons, and Sally Ashford the Directors listed above were also Directors of Royal Mail plc, the Company's ultimate parent company for all or part of the reporting year, and as such their disclosable interests in Royal Mail plc are all declared in the financial statements of that company.

Research and development
During the year the Company continued to develop products and services within the business. An indication of the nature of the activities performed are provided in the Strategic report.

Political donations
There were no political donations during the year (2018-19: £nil). The Company intends to continue its policy of not making such donations for the foreseeable future.

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

Indemnity of Directors
To the extent permitted by the Companies Acts, the Company may indemnify any Director or former Director of the Company or any associated company against any liability. The ultimate parent undertaking, Royal Mail plc, holds a Directors' and Officers' liability insurance policy covering the Directors and Officers or former Directors of its subsidiary undertakings against any liability.

Cautionary statement regarding forward-looking information
Where this report contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this Annual Report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

Going concern
These financial statements have been prepared on a going concern basis. The Directors have reviewed business projections to consider business cash flows under different trading scenarios that could reasonably take place during the year under review. Note 1 to the financial statements provides a detailed review of the Company's going concern assessment.

Statement of Corporate Governance Arrangements
In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, Royal Mail Group Limited (the Company) has, as part of the wider Royal Mail Group (the Group), applied the principles of the UK Corporate Governance Code 2018 (the Code) for the financial year ended 29 March 2020.

The Group places a high value on good governance and promotes the highest levels of governance throughout the organisation. Full details of how the Group applied the Code can be found in the Group Annual Report and Accounts for the financial year ended 29 March 2020, which are available on the Royal Mail Group website.

Directors' report (continued)

Statement of employee engagement

Whilst Royal Mail Group Limited is the employing entity, the principal route by which the Directors of the Company effect engagement of the Company are the process and practices of the parent Company, Royal Mail plc (the Group).

Simon Thompson, the designated Group Non-Executive Director for engagement with the workforce, leads an extensive colleague engagement programme. This includes holding Employee Voice Forums in the UK, as well as a number of formal gatherings and a series of informal, unstructured site visits. The learnings from the Forums are communicated with the Board and also employees in the monthly Royal Mail newspaper, on Royal Mail TV and through employee social media channels.

The Group measures employee engagement through an annual Employee Engagement Survey which is also used to measure culture. This is an opportunity for employees to give their opinion on a series of topics ranging from leadership, business direction, communication, inclusion and pride in the company. There is also a People Panel which reviews and oversees the development of an action plan following the results of the Employee Engagement Survey.

The Group granted free shares to employees upon privatisation and also runs a Partnership and Matching Share Scheme which are both designed to align employees' interests with performance through share ownership.

To read more of the Group's employee engagement, please see pages 112 and 113 of the Royal Mail plc Annual Report and Accounts for the financial year ended 29 March 2020.

Auditor

The auditor is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

In accordance with s414c(ii) of the Companies Act, the Company has set out certain information in its Strategic report that is otherwise required to be disclosed in the Directors' report. This includes information regarding results and activities, dividends, employees and financial risk management.

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' report (continued)

By Order of the Board

Stuart Simpson
Director
Royal Mail Group Limited
Registered Number: 04138203
Registered Office: 100 Victoria Embankment, London, EC4Y 0HQ
16 July 2020

Independent Auditor's Report to the members of Royal Mail Group Limited

Opinion

We have audited the financial statements of Royal Mail Group Limited ("the Company") for the 52 week period ended 29 March 2020 which comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 March 2020 and of its profit for the 52 week period then ended;

- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the members of Royal Mail Group Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 31, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Richard Pinckard

Richard Pinckard (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
17 July 2020

Income statement
for the 52 weeks ended 29 March 2020 and the 53 weeks ended 31 March 2019

	Notes	52 weeks 2020 £m	Re-presented[1] 53 weeks 2019 £m
Continuing operations			
Revenue	2	**7,734**	7,748
Operating costs[2]		**(7,751)**	(7,609)
People costs	3	**(5,203)**	(5,057)
Other operating costs	4	**(2,548)**	(2,552)
Operating (loss)/profit before specific items		**(17)**	139
Operating specific items	5	**(148)**	(97)
Operating (loss)/profit		**(165)**	42
Profit on disposal of property, plant and equipment (non-operating specific item)		**85**	9
Profit before interest and tax		**(80)**	51
Income from investments	7	**35**	72
Finance costs	8	**(55)**	(19)
Finance income	8	**3**	3
Net pension interest	23	**86**	79
(Loss)/profit before tax		**(11)**	186
Tax credit/(charge)	9	**40**	(24)
Profit for the year		**29**	162

[1] Operating costs include £130 million which would previously have been reported as 'Transformation costs'. These costs are now incorporated within their relevant operating cost categories, which better reflects the ongoing costs of the business. The comparative period costs have therefore been re-presented.

[2] Operating costs are stated before operating specific items which include; the Regulatory fine, RMSEPP settlement, Employee Free Shares charge, impairment of assets and legacy costs.

Statement of comprehensive income
for the 52 weeks ended 29 March 2020 and 53 weeks ended 31 March 2019

	Notes	**52 weeks 2020 £m**	53 weeks 2019 £m
Profit for the year		**29**	162
Other comprehensive income/(expense) for the year from continuing operations:			
Items that will not be subsequently reclassified to profit or loss:			
Amounts relating to pensions accounting		**1,122**	239
Withholding tax payable on distribution of RMPP and RMSEPP surplus	23	(648)	(138)
Remeasurement gains of the defined benefit surplus in RMPP and RMSEPP	23(c)	1,773	383
Remeasurement losses of the defined benefit deficit in DBCBS	23(d)	(3)	(8)
Deferred tax	9(d)	-	2
Items that may be subsequently reclassified to profit or loss:			
Foreign exchange translation differences		**-**	(3)
Exchange differences on translation of loan to subsidiary		-	(4)
Tax on above item	9(d)	-	1
Designated cash flow hedges		**(49)**	(3)
(Losses)/Gains on cash flow hedges deferred into equity		(46)	14
Gains on cash flow hedges released from equity to income		(1)	(17)
Gains on cash flow hedges released from equity to the carrying amount of non-financial assets		-	(1)
Loss on cross currency swap cash flow hedge deferred into equity		(21)	-
Loss on cross currency swap cash flow hedge released from equity to income – interest payable		3	-
Gain on cost of hedging deferred into equity		6	-
Gain on cost of hedging released from equity to income – interest payable		(1)	-
Tax on above items	9(d)	11	1
Total other comprehensive income for the year		**1,073**	233
Total comprehensive income for the year		**1,102**	395

Balance sheet
At 29 March 2020 and 31 March 2019

	Notes	**At 29 March 2020 £m**	At 31 March 2019 £m
Non-current assets			
Property, plant and equipment	10	**2,056**	1,433
Intangible assets	12	**415**	473
Investments in subsidiaries and associates	13	**1,287**	1,176
Financial assets – pension escrow investments	14	**201**	207
Financial assets – derivatives		**-**	4
RMPP/RMSEPP retirement benefit surplus – net of withholding tax payable	23	**3,614**	2,408
Other receivables	24	**20**	150
Deferred tax assets	9(d)	**130**	78
		7,723	5,929
Assets held for sale	25	**25**	35
Current assets			
Inventories	15	**11**	22
Trade and other receivables	16	**848**	844
Income tax receivable		**-**	13
Financial assets – investments		**30**	-
Financial assets – derivatives		**5**	9
Cash and cash equivalents	17	**1,425**	83
		2,319	971
Current liabilities			
Trade and other payables	18	**(3,173)**	(2,490)
Interest bearing loans and borrowings	20	**(700)**	-
Lease liabilities	11	**(142)**	(36)
Financial liabilities – derivatives		**(35)**	(3)
Bank overdraft	21	**(35)**	(30)
Income tax payable		**-**	(8)
Provisions	22	**(102)**	(52)
		(4,187)	(2,619)
Net current liabilities		**(1,868)**	(1,648)
Total assets less current liabilities		**5,880**	4,316
Non-current liabilities			
Other payables	19	**(2)**	(67)
Lease liabilities	11	**(712)**	(87)
Financial liabilities – derivatives		**(32)**	(2)
DBCBS retirement benefit deficit	23	**(177)**	(72)
Provisions	22	**(97)**	(97)
Net assets		**4,860**	3,991
Equity			
Share capital	27	**-**	-
Retained earnings		**4,902**	3,979
Other reserves	27	**(42)**	12
Total equity		**4,860**	3,991

The financial statements were approved by the Board of Directors on 16 July 2020 and signed on its behalf by:

Stuart Simpson
Director
Royal Mail Group Limited
Registered Number 04138203
Registered Office: 100 Victoria Embankment, London, EC4Y 0HQ

Statement of changes in equity
for the 52 weeks ended 29 March 2020 and 53 weeks ended 31 March 2019

	Notes	Share capital £m	Retained earnings £m	Hedging reserve £m	Foreign currency translation reserve £m	Other reserve £m	Total equity £m
At 25 March 2018		-	3,795	9	-	9	3,813
Profit for the year		-	162	-	-	-	162
Other comprehensive income for the year		-	239	(3)	(3)	-	233
Total comprehensive income for the year			401	(3)	(3)	-	395
Transactions with owners of the Company, recognised directly in equity							
Dividend paid	28	-	(243)	-	-	-	(243)
Share-based payments in respect of Royal Mail plc	26						
Employee Free Shares issue		-	23	-	-	-	23
Long-Term Incentive Plan (LTIP)		-	4	-	-	-	4
Deferred Shares Bonus Plan (DSBP)		-	3	-	-	-	3
Deferred tax on share-based payments in respect of Royal Mail plc		-	(1)	-	-	-	(1)
Settlement of LTIP 2015		-	(3)	-	-	-	(3)
At 31 March 2019		-	3,979	6	(3)	9	3,991
IFRS 16 transition adjustment		**-**	**1**	**-**	**-**	**-**	**1**
Reported at 1 April 2019 on transition to IFRS 16		**-**	**3,980**	**6**	**(3)**	**9**	**3,992**
Profit for the year		**-**	**29**	**-**	**-**	**-**	**29**
Other comprehensive income for the year		**-**	**1,122**	**(49)**	**-**	**-**	**1,073**
Total comprehensive income for the year		**-**	**1,151**	**(49)**	**-**	**-**	**1,102**
Transactions with owners of the Company, recognised directly in equity							
Gains on cash flow hedges released from equity to the carrying amount of non-financial assets		**-**	**-**	**(1)**	**-**	**-**	**(1)**
Dividend paid	28	**-**	**(245)**	**-**	**-**	**-**	**(245)**
Share-based payments in respect of Royal Mail plc	26						
Employee Free Shares issue		**-**	**7**	**-**	**-**	**-**	**7**
Long-Term Incentive Plan (LTIP)		**-**	**2**	**-**	**-**	**-**	**2**
Deferred Shares Bonus Plan (DSBP)		**-**	**2**	**-**	**-**	**-**	**2**
Deferred tax on share-based payments in respect of Royal Mail plc		**-**	**1**	**-**	**-**	-	**1**
Transfer of realised profit[1]		**-**	**4**	**-**	**-**	**(4)**	**-**
At 29 March 2020		**-**	**4,902**	**(44)**	**(3)**	**5**	**4,860**

[1] The Other reserve balance of £9 million arose from a dividend in specie, relating to the transfer of part of the Nine Elms site from Royal Mail Estates Limited, a subsidiary of the Company. The realised profit of £4m represents the proportion of the original Nine Elms site disposed of during the year.

Notes to the financial statements

1. Accounting policies

The following accounting policies apply throughout the Company.

Accounting reference date

The financial reporting year ends on the last Sunday in March and, accordingly, these financial statements are made up to the 52 weeks ended 29 March 2020 (2018-19: 53 weeks ended 31 March 2019).

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of the Company for the year ended 29 March 2020 were authorised for issue by the Board of Directors on 16 July 2020. The Company is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The amendments to FRS 101 (2016-17 Cycle) issued in July 2017 and effective immediately have been applied.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Royal Mail plc. The consolidated financial statements of Royal Mail plc are available from www.royalmailgroup.com/results.

Basis of preparation

The Company has applied FRS 101 for all years presented. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 29 March 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment* (details of the number and weighted average exercise prices of share options and how the fair value of goods or services received are determined);[1]

(b) the requirements of IFRS 7 *Financial Instruments: Disclosures*; [1]

(c) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement* (disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities); [1]

(d) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';

(e) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:

- (i) paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding);
- (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment* (reconciliation of the carrying amount at the beginning and end of the year);
- (iii) paragraph 118(e) of IAS 38 *Intangible Assets* (reconciliation of the carrying amount at the beginning and end of the year);

(f) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;

(g) the requirements of IAS 7 *Statement of Cash Flows*;

(h) the requirements of paragraph 17 and 18(a) of IAS 24 *Related Party Disclosures* (key management compensation and related party transaction amounts); and

(i) the requirements in 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.

[1] Exemption taken as equivalent disclosures are included in the consolidated financial statements of Royal Mail plc.

1. Accounting policies (continued)

Going concern
In assessing the going concern status of the Company, the Directors are required to look forward a minimum of 12 months from the date of approval of these financial statements to consider whether it is appropriate to prepare the financial statements on a going concern basis.

The Directors have prepared business projections which are consistent with a lifting of the current COVID-19 lockdown restrictions from early July 2020, but with a GDP decline of 10 per cent in the 2020-21 reporting year, followed by a recovery thereafter.

The Directors have also considered a severe, yet plausible, downside scenario that assumes a second wave of COVID-19 in the UK resulting in a further three-month lockdown during the autumn/winter in the UK, and a further deterioration in economic conditions impacting the UK. Whilst letter volumes could decline at a faster rate under this scenario, parcel volumes would be expected to remain broadly flat, or slightly ahead and overall margin would decline. This downside also assumes the potential impact of industrial action and continued spend on Protective Equipment and social distancing measures to protect our workforce. The scenario also takes into account the mitigating actions that are in the control of the Directors, such as suspending the dividend or reducing variable hours and cost of sales.

The Directors have reviewed both the business projections consistent with a lifting of the current COVID-19 lockdown restrictions from early July 2020 and the downside scenario business projections and assessed these against committed and undrawn funding facilities of £225 million at 29 March 2020 through the bank syndicate loan facility and other liquid resources available to the Company (cash at bank £15 million and cash equivalent/current asset investments of £1,440 million at 29 March 2020). The Directors have obtained a covenant waiver from its bank syndicate which removes the bank syndicate loan facility net debt/EBITDA and EBITDA/interest covenant tests for September 2020, March 2021 and September 2021, but which are replaced by a minimum liquidity covenant of £250 million. The Company's parent company, Royal Mail plc, has also received approval from the Bank of England for the COVID Corporate Financing Facility (the 'CCFF') of up to £600 million. The CCFF can be drawn by Royal Mail plc up to March 2021, and is available for a period of up to 12 months from the drawdown date.

The downside case indicates that Royal Mail plc would not need to draw on both the CCFF and the bank syndicate loan facility at the same time in order to maintain sufficient liquidity.

The Directors are satisfied that these facilities, coupled with business projections, show that the Company will continue to operate for a minimum of twelve months from the date of approval of these financial statements. Those projections are dependent on Royal Mail plc not seeking repayment of the amounts currently due to the Company, which at 29 March 2020 amounted to £935 million. Royal Mail plc has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. Those projections are also dependent on certain wholly owned subsidiaries not seeking repayment of amounts due within the forecast period. The Directors, having considered the funding requirements of these subsidiaries, considered this assumption to be reasonable. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Changes in accounting policy
The accounting policies applied in the preparation of these financial statements are consistent with those for the year ended 31 March 2019, and the adoption of new and amended accounting standards with effect from 1 April 2019 as detailed below:

New and amended accounting standards adopted in 2019-20
IFRS 16 'Leases'
The Company has adopted IFRS 16 with effect from 1 April 2019. Under IFRS 16, all lease contracts, with limited exceptions, are recognised on the balance sheet as right-of-use assets, representing the right to use the underlying assets, and lease liabilities, representing an obligation to make lease payments. The principal asset classes impacted by this change are property and motor vehicles previously held under operating leases.

The Company has applied IFRS 16 using the modified retrospective approach for all leases previously classed as operating leases under IAS 17. The modified retrospective approach allows a combination of the following two approaches when measuring the carrying value of right of use assets on a lease by lease basis:

1. Accounting policies (continued)

(i) as if the standard had been applied since the lease commencement date; and/or
(ii) at an amount equal to the lease liability at the date of adoption.

The approach outlined in (ii) above has been adopted by the Company for these leases.

The £1 million adjustment to equity relates to the irrecoverable VAT element of lease prepayments and lease incentives at the transition date.

The comparative period information has not been restated and has been presented, as previously reported, under IAS 17. Details of the impact of transition on the financial statements are provided in Note 11.

IFRIC 23 'Uncertain Tax Positions' (IFRIC 23)
The Company has adopted IFRC 23 with effect from 1 April 2019. IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' where there is uncertainty over income tax treatments. Controls and procedures are in place in the Company to monitor the tax treatments assuming a 100 per cent detection risk by the relevant tax authorities, although the impact of this new guidance does not have a material impact on the financial performance or position of the Company.

IAS 28 (Amended) 'Long-term Interests in Associates and Joint Ventures'
The Company has adopted the amendment to IAS 28 in respect of 'Long-term Interests in Associates and Joint Ventures' with effect from 1 April 2019. The amendment clarifies that the Financial Instrument exclusion for interests in associates and joint ventures accounted for in accordance with IAS 28 only applies to interests in company accounts which are accounted for using the equity method. The Company's investment in associates are stated at cost less any accumulated impairment losses and thus the adoption of this amendment does not have an effect on the financial position of the Company.

IFRS 9 (Amended) 'Prepayment Features with Negative Compensation'
The Company has adopted the amendment to IFRS 9 in respect of 'Prepayment Features with Negative Compensation' with effect from 1 April 2019. The amendment allows for termination rights to be measured at amortised cost or fair value through other comprehensive income (dependent on business model) even in the case of negative compensation payments. The Company reviews its termination rights and measures the payment regardless of the signage, in line with the business model adopted for the instrument. The new guidance does not have a material impact on the financial performance or position of the Company.

IAS 19 (Amended) 'Plan Amendment, Curtailment or Settlement'
The Company has adopted the amendment to IAS 19 in respect of 'Plan Amendment, Curtailment or Settlement' with effect from 1 April 2019. The amendment clarifies that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability/(asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment/curtailment/settlement but ignoring the effect of the asset ceiling. The Company has used the updated assumptions from the remeasurement to determine the current service cost and net interest for the remainder of the reporting period.

Annual Improvements 2015-2017
The Company has adopted the annual improvements to IFRS in the 2015-17 cycle with effect from 1 April 2019. This cycle includes the below amendments which do not have a material impact on the financial performance or position of the Company.

- IFRS 3 Business Combinations (Amended) – The amendment clarifies that when an entity obtains control of a business that was a joint operation, it remeasures previously held interests in that business.
- IFRS 11 Joint Arrangements (Amended) – The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes (Amended) – The amendment clarifies that the requirement to recognise the income tax consequence of dividends where the transactions or events that generated distributable profits are recognised applies to all income tax consequences of dividends.
- IAS 23 Borrowing costs (Amended) – The amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Other accounting standards
The Directors do not expect that the adoption of any other new or amended standards issued during the reporting period that are not yet effective will have a material impact on the financial performance or position of the Company in future periods.

1. Accounting policies (continued)

Cash Generating Units (CGUs) of the Company
The Company consists of two primary CGUs, each possessing largely independent cash inflows. These CGUs for impairment testing purposes are Royal Mail UK and Parcelforce Worldwide.

Sources of estimation uncertainty and critical accounting judgments
The preparation of financial statements necessarily requires Management to make certain estimates and judgments that can have a significant impact on the financial statements. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where there is thought to be a significant risk of a material adjustment to the consolidated financial statements within the next financial year as a result of the estimation uncertainty are disclosed below.

Key sources of estimation uncertainty

Pensions
The value of defined benefit pension plan liabilities and assessment of pension plan costs are determined by long-term actuarial assumptions. These assumptions include discount rates (which are based on the long-term yield of high-quality corporate bonds), inflation rates and mortality rates. Differences arising from actual experience or future changes in assumptions will be reflected in the Company's statement of comprehensive income. The Company exercises its judgement in determining the assumptions to be adopted, after discussion with a qualified actuary. Details of the key actuarial assumptions used and of the sensitivity of these assumptions for the RMPP and DBCBS are included within Note 23.

Defined benefit pension plan assets are measured at fair value. Where these assets cannot be valued directly from quoted market prices, the Company applies judgement in selecting an appropriate valuation method, after discussion with an expert fund manager. For the main classes of assets:

- Equities listed on recognised stock exchanges are valued at closing bid price, or the last traded price, depending on the convention of the stock exchange on which they are quoted
- Bonds are measured using a combination of broker quotes and pricing models making assumptions for credit risk, market risk and market yield curves.
- Pooled investment vehicles are valued using published prices or the latest information from investment managers which includes any necessary fair value adjustments; and
- Properties are valued on the basis of open market value as at the year end date, in accordance with RICS Valuations Standards. As a result of the current situation with regards the COVID-19 pandemic, we have been advised by our valuers that conditions exist in the real estate markets that may result in uncertainty in the reliability of these valuations. Nonetheless, these represent the best estimate of the current valuation at the year end date, and have been adjusted by our valuers to account for the expected impact of COVID-19, based on the information available at the time that the valuation was prepared.

For exchange-traded derivatives that are assets, fair value is based on bid prices. For exchange-traded derivatives that are liabilities, fair value is based on offer prices.

Non-exchange traded derivatives are valued as follows:

- Open forward foreign currency contracts at the balance sheet date are over the counter contracts and are valued using forward currency rates at that point. The unrealised appreciation or depreciation of open foreign currency contracts is calculated by the difference between the contracted rate and the rate to close out the contract.
- Open option contracts at the balance sheet date are over the counter contracts and fair value is calculated taking into account the strike price, maturity date and the underlying asset of the option. The unrealised appreciation or depreciation of open option contracts is calculated by the difference between the premiums paid for the options and the price to close out the options.
- Interest rate and credit default swaps are over the counter contracts and fair value is the current value of the future expected net cash flows, taking into account the time value of money and market data at year end.

The value of the RMSEPP insurance policies held by the Company are equal to the accounting defined benefit obligation of the scheme as at the year end date.

The assumptions used in valuing unquoted investments are affected by current market conditions and trends, which could result in changes to the fair value after the measurement date. Details of the carrying value of the unquoted pension plan asset classes can be found in Note 23.

1. Accounting policies (continued)

It is not currently practical to provide a quantitative estimate of the impact of Covid-19 on the Company's schemes. The schemes' assets are invested across multiple sectors and locations and accordingly returns will vary due to these factors and the specific nature of the underlying asset. Scheme assets that could be significantly impacted include equities, bonds, property and pooled investments. The Trustees of the pension schemes have designed and implemented investment strategies taking a long-term view and have built in resilience to withstand short-term fluctuations that may impact the schemes.

Deferred revenue

The Company recognises advance customer payments on its balance sheet, predominantly relating to stamps and meter credits purchased by customers but not yet used at the balance sheet date (see Note 18).

The majority of this balance is made up of stamps sold to the general public. To determine the amount of sales to defer, previously, an estimate of stamp volumes held by the general public at the year-end was made on the basis of monthly surveys performed by an independent third party. As surveys of this nature are inherently subjective and rely on the number and demographic profile of respondents, Management have adopted a modified approach utilising a number of different data sources to calculate the estimated deferred revenue liability given that stamps can be held and used for varying time periods.

At 29 March 2020 the Company recognised £185 million (2018-19: £188 million) deferred revenue in respect of stamps sold to the general public but not used at the balance sheet date. The primary sources of data used to derive this estimate are as follows:

- Revenue data related to stamp sales through the Post Office network;
- Historic trends of deferred revenue balances;
- Changes in the number of working days during the period; and
- Adjustments to reflect posting patterns around key events close to the reporting year end e.g. Mothering Sunday, Easter

Analysis has been undertaken to understand the sensitivity of the reported deferred revenue balance to the methodology by which it is calculated. This analysis has shown that the amount reported is unlikely to fall outside a range of +/-£20 million (2018-19: +/- £22 million). This sensitivity arises because of Management's judgment in applying a weighting to the component parts of the data sources. Average stamp holding days has remained consistent year-on-year at 43 days (2018-19: 44 days).

Management are of the view that this new process will remove the reliance on a single data source, allow the timely close of critical period ends, and improve the accuracy of the estimated result.

Impairment test for Cash Generating Units (CGUs)

In assessing whether there has been an impairment of a CGU or in some instances a specific asset, Management determines whether the carrying value is higher than the recoverable amount. The recoverable amount is the higher of a CGU or asset's fair value less costs to sell (realisable value) and value in use. The value in use of the CGU/asset is calculated based on its discounted cashflows. The key estimates that can impact the value in use calculations are changes to the growth rates applied to derive the terminal value, the adjusted EBITDA figure, excluding one-off uncommitted transformation expenditure and benefits, or a movement in the discount rate applied to the future cash flows. These are key estimates as they are subjective in nature and significant assumptions are required. Any changes to assumptions may lead to impairment charges being recognised.

Royal Mail UK CGU

During the reporting period this CGU was tested for impairment. At 29 March 2020 the carrying value of this CGU was £1,313 million. The recoverable amount, assessed as being the 'value in use' is calculated based on three year forecast free cash flows, with the assumption that the subsequent years will be in line with the performance of year three. Cash flows into perpetuity are assumed to have a growth rate of nil.

Cash flows have been discounted at the Company's pre-tax WACC of 9.0 per cent to reflect current market assessments of the time value of money and the risks specific to the CGU. The headroom of the CGU is £478 million. The Company has conducted sensitivity analysis on the impairment test for each of the key assumptions. The assumptions used and the impact of sensitivities on these assumptions are shown below.

The perpetuity growth rate included in the impairment model is nil. If the perpetuity rate decreased to a decline of 4.5 per cent into perpetuity the headroom of the Royal Mail UK CGU would be eroded to nil. The pre-tax discount rate for the Royal Mail UK is 9.0 per cent. An increase in the pre-tax discount rate to 11.7 per cent would result in no headroom.

A key sensitivity in the Royal Mail UK impairment model is adjusted EBITDA excluding one-off uncommitted transformation expenditure and benefits. If each year in the plan was to decrease by 8.1 per cent the CGU would have no headroom.

1. Accounting policies (continued)

Parcelforce Worldwide CGU

As a result of delays in the transformation of the Parcelforce Worldwide business, an impairment review of the Parcelforce Worldwide CGU was undertaken during the reporting period. This impairment assessment identified that the carrying value of the CGU was in excess of its recoverable amount which resulted in a £91 million impairment charge reported as a specific item within the UKPIL segment.

The recoverable amount of the CGU was calculated as the value in use and considered cash flows for the business forecasted for five years. The cash flows were discounted to present value at the pre-tax WACC of 9.0 per cent.

As a result of the recoverable amount being significantly lower than the carrying value, all non-monetary assets were written off, this consisted of £58 million tangible assets and £33 million intangible assets.

Provisions – Industrial diseases

Due to the nature of provisions, a significant part of their determination is based upon estimates and/or judgments concerning the future. The industrial diseases claims provision is considered to be the area where the application of judgement has the most significant impact. The industrial diseases claims provision arose as a result of a Court of Appeal judgement in 2010 and relates to individuals who were employed in the General Post Office Telecommunications division prior to October 1981.

The provision requires estimates to be made of the likely volume and cost of future claims, as well as the discount rate to be applied to these, and is based on the best information available as at the year end, which incorporates independent expert actuarial advice. A 500 basis points decrease to the 0.7 per cent discount rate used at 29 March 2020 would result in a £6 million increase in the overall provision. If the number and value of expected claims per annum increased/decreased by ten per cent, the provision would increase/decrease by £6 million. Any income statement movements arising from changes in accounting estimates are disclosed as an operating specific item. The carrying value of this provision is disclosed in Note 22.

Critical accounting judgments

IFRS 16 – Incremental borrowing rates (IBR)

Under IFRS 16, lease liabilities are initially recognised at the commencement date at the present value of future lease payments discounted at the rate inherent in the lease or, where this is not readily determinable, an appropriate IBR. In practice, the rate inherent in the lease is not readily determinable for the majority of leases previously classed as operating leases under IAS 17 and so an IBR is used. These leases primarily relate to property and motor vehicles. In addition, an IBR has also been applied when calculating the opening transition lease liability balances.

The IBR is the rate of interest that a lessee would have to pay to borrow, over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The methodology used to obtain these rates and how they are applied to assets with different lease terms, is an area of significant judgement.

In considering the appropriate IBR to apply the Company has applied a three-step approach. This approach begins with an appropriate risk-free base rate; adjusts this rate to reflect the cost of company specific unsecured borrowing; and, finally, considers the need to adjust the rate determined to reflect the underlying leased asset acting as collateral.

From the evidence obtained, Management have concluded that lenders do not make adjustments to the borrowing rates offered on lending based upon the underlying asset to be obtained. The key factors in the borrowing rates available are judged to be the Company's current credit rating and the length of the borrowing term required.

On the basis of the work performed, the Company has treated assets being held for a similar length of time as having a similarly calculated IBR, with assets being grouped according to lease length, both at transition and in the future. By grouping assets in this way, a rate card has been produced, to be updated periodically, which can be applied to all future leases requiring an IBR.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the balance sheet at the date of initial application is three per cent.

Accounting policies

Revenue

Revenue relates principally to the delivery of letters and parcels for a wide range of public and private customers. In the majority of cases contracts contain a single service performance obligation, which is satisfied at the point of delivery. Transaction prices for services rendered are typically fixed and agreed in advance with the price being allocated in full to the single delivery performance obligation.

Revenue relating to public, retail and business stamp and meter sales is recognised when the sale is made, adjusted to reflect a value of stamp and meter credits held but not used by the customer. Further details on this deferred revenue adjustment are provided in the 'Key sources of estimation uncertainty' section above.

1. Accounting policies (continued)

In some cases, payment for services may be received in advance for a service that is due to be performed over a longer period of time, for example a 12 month redirection service. In these cases, the payment is initially recognised on the balance sheet as a contract liability (deferred revenue), with revenue recognised on a straight-line basis over the life of the contract, in line with the performance of the service.

Where products are sold through third party agents, such as the Post Office, but the responsibility to fulfil the service lies with the Company, the revenue receivable is recognised gross with any commission payments being charged to operating costs. Where sales are known to have occurred through a third party vendor at the balance sheet date, and the proceeds are yet to be received, revenue for the sale is recognised, with the amount still to be received recognised as a contract asset (accrued revenue).

In some instances volume-based incentives may be offered to customers, which leads to variable transaction prices. In these cases the relevant contracts are continually assessed, and revenue for services performed to date at the period end recognised in line with the expected contract outturn price. Where incentives are issued in the form of sales-based vouchers an element of the initial sales proceeds, proportional in value to the voucher issued, is held as a contract liability and released to revenue upon use or expiry of the voucher.

UK Parcels, International and Letters (UKPIL)

Revenue from direct sales of products or services is recognised when services are rendered, goods are delivered and the amount of revenue that will flow to the Company can be measured reliably. Where payments are received for a service to be provided over a specified length of time, payments received are recognised as deferred revenue and released to the income statement over the period that the service is performed.

Account revenue is derived from specific contracts and recognised when the delivery of an item is complete. Contracted services that have been paid for but not yet rendered at the balance sheet date are designated as deferred revenue.

Revenue derived from Network Access agreements is recognised when the delivery of the related items is complete.

People costs

These are costs incurred in respect of the Company's employees and comprise wages and salaries, pensions and social security costs.

Distribution and conveyance costs

Distribution and conveyance costs relate to non-people costs incurred in transporting and delivering mail. These include conveyance by rail, road, sea and air, together with costs incurred by international mail carriers and Parcelforce Worldwide delivery operators.

Infrastructure costs

These are costs primarily relating to the day-to-day operation of the delivery network and include depreciation/ amortisation, IT and property facilities management costs.

Other operating costs

These are any operating costs which do not fall into the categories of people costs, distribution and conveyance costs or infrastructure costs including for example, Post Office Limited agency costs, consumables and training. Non-people costs relating to projects are included. Other operating costs exclude operating specific items.

Operating specific items

These are recurring or non-recurring items of income or expense of a particular size and/or nature relating to the operations of the business that in Management's opinion require separate identification. These items currently include the charge for Employee Free Shares in recognition of the services provided by employees of the Company to Royal Mail plc, and impairment and legacy costs (for example, movements in the industrial diseases provision).

Income tax and deferred tax

The charge for current income tax is based on the results for the reporting year as adjusted for items that are non-assessable or disallowed. It is calculated using rates that have been substantively enacted at the balance sheet date.

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

- Initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss;
- Taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised.

1. Accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date against internal forecasts of future profits against which those assets may be utilised and increased or reduced to the extent that it is probable that sufficient taxable profit will be available to allow them to be utilised.

Where tax returns remain subject to audit with the relevant tax authorities in the various jurisdictions in which the Group operates, a provision is made for uncertain tax items where the agreed amount could differ materially from management's estimates. Any such provisions are included within the relevant current and deferred tax carrying amount.

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 (and tax laws) that have been substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Current and deferred tax is charged or credited directly to equity if they relate to items that are charged or credited directly to equity, otherwise it is recognised in the income statement.

Where tax credits are claimed against eligible research and development costs, these amounts are credited against the relevant expense or capitalised asset to match the accounting treatment applied to the original expenditure.

Dividends
Distributions to owners of the Company are not recognised in the income statement under IFRS, but are disclosed as a component of the movement in shareholders' equity. A liability is recorded for a dividend when the dividend is approved by the Company's shareholders but not paid at the period end. Interim dividends are recognised as a distribution when paid.

Property, plant and equipment
Property, plant and equipment is recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use. Depreciation of property, plant and equipment is provided on a straight-line basis by reference to cost, the useful economic lives of assets and their estimated residual values. The useful lives and residual values are reviewed annually and adjustments, where applicable, are made on a prospective basis. The lives assigned to major categories of property, plant and equipment are:

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising at derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised. Gains or losses from the disposal of assets are recognised in the income statement at the point that all significant risks and rewards of ownership are transferred.

All subsequent expenditure on property, plant and equipment is capitalised if it meets the recognition criteria, and the carrying amount of those parts replaced is derecognised. All other expenditure including repairs and maintenance expenditure is recognised in the income statement as incurred.

Intangible assets
Intangible assets acquired separately or development costs that meet the criteria to be capitalised are initially recognised at cost and are assessed to have either a finite or indefinite useful life. Those with a finite life are amortised over their useful life and those with an indefinite life are reviewed for impairment annually or more frequently if events, or changes in circumstances, indicate that the carrying value may be impaired. An impairment loss is recognised in the income statement for the amount by which the carrying value of the intangible asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and its value in use.

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

Software	3 to 10 years

Borrowing costs
Interest on borrowings related to the construction or development of qualifying assets is capitalised, until such time as the assets are substantially ready for their intended use. Borrowing costs capitalised are deducted in determining taxable profit in the period in which they are incurred.

1. Accounting policies (continued)

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Following their classification as held for sale, the assets cease being depreciated.

Impairment reviews

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates within the Company's financial statements are stated at cost less any accumulated impairment losses.

Leases

The Company has adopted IFRS 16 with effect from 1 April 2019. Previously the Company determined at contract inception whether a contract contained a lease under IFRIC 4. Under IFRS 16 a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under IAS 17, leases were classed as either operating or finance leases based on whether the lease transferred substantially all the risks and rewards of ownership, with only those leases identified as finance leases being brought onto the balance sheet. Under IFRS 16, the Company recognises a right of use asset and a lease liability at the lease commencement date for the majority of leases.

The right of use asset is measured initially at cost and is subsequently adjusted for any accumulated depreciation, impairment losses or certain remeasurements of the lease liability.

The lease liability is measured initially at the commencement date at the present value of future lease payments discounted at the rate inherent in the lease (for leases previously classed as finance leases) or, where this is not readily determinable, an appropriate 'incremental borrowing rate' (IBR). In practice, the majority of the lease calculations are performed using an IBR. The lease liability is subsequently increased by the interest cost and decreased by payments made. The lease liability may also be remeasured where there are changes in future lease payments or changes in the assessment of future extension or termination options.

Whilst the majority of leased assets were brought onto the balance sheet, the Company has elected to apply the exemption from recognising leases for low value assets in line with existing Company policy, or short-term leases (with a lease term of under 12 months) on the balance sheet. The Company continues to recognise lease expenses for these assets on a straight-line basis in the income statement over the lease term.

Where possible, the Company allocates the consideration in each contract between any lease and non-lease components, however, where this is not possible the Company has elected to apply the practical expedient of including all of the contract costs in the calculation of the lease asset and liability recognised as a single lease component.

For assets previously classed as finance leases, the carrying values of the right of use assets and lease liabilities held as at 31 March 2019 under IAS 17 have been determined to be equal to the carrying value brought forward at 1 April 2019 under IFRS 16.

The Company has also adopted the practical expedient to grandfather the accounting treatment of the assets and liabilities relating to these leases, to still include the irrecoverable VAT element (which is excluded for all new leases).

Application of IFRS 16 by the Company has no impact on lessor accounting for leases previously classed as finance leases.

At transition, for leases classed as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted using a calculated IBR as at 1 April 2019.

Right-of-use assets at transition are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments or rent incentives.

1. Accounting policies (continued)

In adopting IFRS 16 the following practical expedients have been applied at transition to leases previously classed as operating leases under IAS 17:

- only apply IFRS 16 to those contracts that were previously identified as leases under IAS 17 and IFRIC 4;
- apply a single discount rate to portfolios of leases with similar characteristics;
- not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months and to continue to recognise these lease costs through the income statement as they are incurred;
- rely on an assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right of use assets created. Where this is the case the carrying amount of the assets is adjusted by the onerous lease provision; and
- exclude initial direct costs from the measurement of the right of use asset.

The Company has lease break options in place for a majority of its property lease agreements. These options provide the Company with greater flexibility in managing the estate. These break options have historically not been exercised due to ongoing operational requirements. Management have therefore made the decision that the reasonably certain length of the lease is the full lease term, assuming the break option will not be exercised.

The Company adopts a practice of not including extension options in its leases, where such clauses exist exceptionally they are immaterial.

Further details of the impact of IFRS 16 on the financial statements are disclosed in Note 11.

Trade receivables

Trade receivables are recognised and carried at the original invoice amount less an allowance for any non-collectable amounts. This loss allowance is calculated by first creating an allowance for identified trade receivables where collection of the full amount is no longer probable and then applying lifetime expected credit loss (ECL) rates to the remaining unprovided balance. ECL rates have been set by ageing category based on historical loss rates, with adjustments made to reflect forward-looking information where material. In the current year considerations around Covid-19 and the macroeconomic situation arising has resulted in an increase to expected credit losses above our standard provisioning rate.

	2019-20	2018-19
Not yet overdue	**0.08%**	0.02%
Past due not more than one month	**1.86%**	0.34%
Past due more than one month and not more than two months	**18.2%**	2.67%
Past due more than two months	**75.13%**	13.30%

Movements in the loss allowance are recognised in the income statement within other operating costs. At the point that a debt is considered unrecoverable, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

Inventories

Inventories are valued on a weighted average cost basis and carried at the lower of cost and net realisable value. Cost includes all direct expenditure and other costs attributable in bringing inventories to their present location and condition.

Trade payables

Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

The Company operates a supply chain finance arrangement for small and medium suppliers. This form of reverse factoring allows suppliers to obtain early access to funding. Suppliers may choose to access payment as soon as their invoices are processed rather than Royal Mail standard payment terms by paying a financing fee to the scheme provider. The Company pays the provider of the scheme on the due date of the invoices, therefore this scheme does not assist the Company in the management of working capital.

As the scheme has not led to a substantial modification in the terms of the financial liability, the Company continues to treat the amounts owed within trade payables. All cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Company. There is no impact on net debt, as amounts owed continue to be reported within trade payables.

The balance owed on the facility at 29 March 2020 was £25 million (31 March 2019: £27 million).

1. Accounting policies (continued)

Financial instruments

Financial assets within the scope of IFRS 9 'Financial Instruments' are classified as financial assets at: fair value through the profit and loss (FVTPL) if they are not part of an effective hedge designation (held for trading); amortised cost; or fair value through other comprehensive income (FVOCI) as appropriate. Financial liabilities within the scope of IFRS 9 are classified as either financial liabilities at FVTPL or financial liabilities measured at amortised cost.

The Company determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial instruments not at FVTPL, any directly attributable transactional costs.

The Company only has financial assets and liabilities measured at amortised cost and derivative assets and liabilities measured at FVTPL if they are not part of an effective hedge designation.

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets measured at amortised cost
Non-derivative financial assets which are held for the purpose of collecting contractual cash flows, including interest, are classified as financial assets measured at amortised cost. These assets are carried at amortised cost with finance income recognised in the income statement using the effective interest rate method. Any gains or losses are recognised in the income statement when the assets are derecognised or impaired.

Financial liabilities measured at amortised cost
All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. These liabilities are measured at amortised cost with finance costs recognised in the income statement using the effective interest method. Any gains or losses are recognised in the income statement when the liabilities are derecognised or impaired.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits (cash equivalents) with an original maturity date of three months or less. In addition, the Company uses money market funds as a readily available source of cash, and these funds are also categorised as cash equivalents. Money market funds are designated as fair value through profit and loss (FVTPL), all other cash equivalents are classified as financial assets at amortised cost.

Financial assets – pension escrow investments
Pension escrow investments comprise a Royal Mail Senior Executives Pension Plan (RMSEPP) money market fund investment, a Royal Mail Pension Plan (RMPP) money market fund investment and a short-term loan to the RMSEPP Trustees.

Financial assets – other investments
Other investments comprise short-term deposits (other investments) with banks with an original maturity of three months or more. Short-term deposits are classified as financial assets at amortised cost.

Derivative financial instruments and hedging programmes
The Company uses derivative instruments such as foreign currency contracts in order to manage the risk profile of any underlying risk exposure of the Company, in line with the Company's treasury management policies. Such derivative financial instruments are initially stated at fair value.

For the purpose of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability, or to a highly probable forecast transaction.

In relation to cash flow hedges to hedge the interest rate, foreign exchange or commodity price risk of firm commitments that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to relate to an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of a non-financial asset or non-financial liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same reporting year in which the hedged firm commitment affects the net profit/loss, for example when the hedged transaction actually occurs.

1. Accounting policies (continued)

Derivatives that do not qualify for hedge accounting are classified as fair value through profit and loss and any gains or losses arising from changes in fair value are taken directly to the income statement in the year. Derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date).

Hence derivative assets and liabilities are within Level 2 of the fair value hierarchy as defined within IFRS 13 'Fair Value Measurement'.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the reporting year.

Fair value measurement of financial instruments

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Inputs 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).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

The Company determines whether any transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting year. For the purposes of disclosing the Level 2 fair value of investments held at amortised cost in the balance sheet, in the absence of quoted market prices, fair values are calculated by discounting the future cash flows of the financial instrument using quoted equivalent interest rates as at close of business on the balance sheet date.

For the purposes of comparing carrying amounts to fair value, fair values have been calculated using current market prices (bond price, interest rates, forward exchange rates and commodity prices) and discounted using appropriate discount rates.

Pensions and other post-retirement benefits

The pension assets for the defined benefit plans are measured at fair value (levels 1 and 2). Unquoted securities and other pooled investment vehicles are valued using published prices, the latest information from investment managers, or at cost less any necessary provisions for impairment. Direct property held is valued using the latest external Royal Institute of Chartered Surveyors (RICS) valuations (under 'Red Book' guidelines) adjusted for any capex spend and impairments since that valuation. Liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet. The amount of any pension surplus that can be recognised is limited to the economic benefits unconditionally available in the form of refunds or reductions in future contributions. Where the economic benefit to be obtained is in the form of a refund, this is recognised less tax expense, in line with IFRIC 14. The Group considers this tax to be a tax other than income tax, and the pension surplus is presented net of this tax on the balance sheet.

Full actuarial/cash funding valuations are carried out at intervals not normally exceeding three years as determined by the Trustees and, with appropriate updates and accounting adjustments at each balance sheet date, form the basis of the surplus disclosed.

For defined benefit plans, the amounts charged to operating profit are the current service costs and any gains and losses arising from settlements, curtailments and past service costs. The amount resulting from applying the Plan's discount rate (for liabilities) to the pension surplus at the beginning of the reporting year is recognised as net pension interest in the income statement. Remeasurement gains and losses are recognised immediately in the statement of comprehensive income. Any deferred tax movement associated with the remeasurement gains and losses is also recognised immediately in the statement of comprehensive income.

1. Accounting policies (continued)

For defined contribution plans, the Company's contributions are charged to operating profit within people costs in the year to which the contributions relate.

Intercompany trading
The Company operates through business units that make use of the services of other companies within the Royal Mail Group in order to take advantage of Group synergies, with regard to the mutual dependencies that exist. The inter-company charges recognise these dependencies and are reached through negotiation between the respective companies.

Foreign currencies
The functional and presentational currency of the Company is £ Sterling (£).

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Currently hedge accounting is not claimed for any monetary assets and liabilities. All differences are therefore taken to the income statement, except for differences on monetary assets and liabilities that form part of the Company's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment occurs, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate. Accounting estimates used in calculating the provisions are discussed further in the 'Key sources of estimation uncertainty and critical accounting judgments' part of this accounting policies section.

Contingent liabilities
Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless an outflow of resources is considered to be remote.

Accounting standards issued but not yet applied
IAS 1 (Amended) and IAS 8 (Amended) 'Definition of Material'

IFRS 3 (Amended) 'Definition of a Business'

IFRS 7 (Amended), IFRS 9 (Amended) and IAS 39 (Amended) 'Interest Rate Benchmark Reform'

IFRS 10 (Amended) and IAS 28 (Amended) 'Sale of Assets between an Investor and its Associate or Joint Venture'*

IFRS 17 'Insurance Contracts'*

* Not yet endorsed by the EU.

The Directors do not expect that the adoption of the amendments, interpretations and annual improvements listed above (which the Company does not expect to early adopt) will have a material impact on the financial performance or position of the Company in future periods.

2. Revenue

	52 weeks 2020 £m	Re-presented[1] 53 weeks 2019 £m
Letters and other revenue	**3,423**	3,447
Advertising Letters	**612**	705
Parcels	**3,699**	3,596
Total	**7,734**	7,748

[1] The comparative period revenues have been re-presented as a result of the move to a new revenue allocation methodology which reduces reliance on sampling by using Post Office traffic data. This change only impacts the allocation of revenue between stamped letters and parcels, and some international export products. Total revenue remains unchanged.

2. Revenue (continued)

During the year, around £290 million (2018-19: £280 million) of revenue was recognised which was previously held as a deferred revenue balance at 31 March 2019 (2018-19: 25 March 2018). This balance mainly relates to stamps held and not yet used by customers and is recognised as 'advance customer payments' within 'current trade and other payables' (see Note 18).

3. People costs and numbers

	52 weeks 2020 £m	Re-presented[1] 53 weeks 2019 £m
Wages and salaries	**(3,969)**	(3,880)
Social security costs	**(394)**	(391)
Pension costs	**(668)**	(625)
Temporary resource	**(172)**	(161)
Total	**(5,203)**	(5,057)

[1] The comparative period has been re-presented to incorporate changes to the presentation of costs (see the income statement for more details).

People numbers, calculated on a headcount basis and including part-time employees were as follows:

	Year end employees		Average employees	
	At 29 March 2020	At 31 March 2019	**At 29 March 2020**	At 31 March 2019
Total employees[2]	**138,683**	139,850	**139,625**	138,873

[2] People numbers are based on permanent employees

4. Other operating costs

Operating profit before specific items is stated after charging the following operating costs.

	52 weeks 2020 £m	53 weeks 2019 £m
Distribution and conveyance costs		
Charges from overseas postal administrations	**(361)**	(348)
Fuel costs	**(158)**	(147)
Infrastructure costs		
Depreciation and amortisation	**(391)**	(328)
Depreciation of property, plant and equipment	(301)	(208)
Amortisation of intangible assets (software)	(90)	(120)
Other operating costs		
Post Office Limited charges	**(351)**	(354)
Inventory expensed	**(31)**	(34)
Intercompany property rent	**(11)**	(13)

The following disclosure is relevant in understanding the extent of costs in relation to the regulation of the Company.

Regulatory body costs	52 weeks 2020 £m	53 weeks 2019 £m
Ofcom administrative charge	**(5)**	(3)
Citizens Advice/Citizens Advice Scotland/Consumer Council for Northern Ireland	**(1)**	(2)
Total	**(6)**	(5)

Auditor's remuneration amounted to £350,000 (2018-19: £290,000) for the audit of the statutory financial statements. The auditor did not provide any non–audit services for the years ended 29 March 2020 and 31 March 2019.

5. Operating specific items

	52 weeks 2020 £m	53 weeks 2019 £m
Asset impairments	**(91)**	(11)
Regulatory fine	**(51)**	-
RMSEPP settlement	**-**	(64)
Employee Free Shares charge	**(4)**	(22)
Industrial diseases claims (see Note 22)	**(2)**	-
Total operating specific items	**(148)**	(97)

An impairment review of the Parcelforce Worldwide business identified that the carrying value of the assets exceeded their fair value in use, resulting in a £91 million impairment (see Notes 10 and 12).

Following the Competition Appeal Tribunal judgement of 12 November 2019, a provision for a fine from Ofcom of £50 million and £1 million associated interest has been made in the financial statements.

6. Directors' emoluments

	52 weeks 2020 £000	53 weeks 2019 £000
Short-term employee benefits	**(1,634)**	(1,666)
Post-employment benefits	**(10)**	(12)
Share-based payments	**(505)**	-
Total	**(2,149)**	(1,678)

There were no Directors in the Company's defined benefit pension scheme (2018-19: none) and one Director (2018-19: two) in the Company's defined contribution pension scheme during the year. There were no Directors (2018-19: none) in a money purchase pension scheme.

The total amount payable to the highest paid Director in respect of emoluments was £868,078 (2018-19: £647,633), which includes base salary, benefits and pension cash allowance.

7. Income from investments

	52 weeks 2020 £m	53 weeks 2019 £m
Royal Mail Investments Limited	**24**	62
Royal Mail Property and Facilities Solutions Limited	**10**	10
Intersoft Limited	**1**	-
Dividends received from subsidiaries	**35**	72

8. Net finance costs

	52 weeks 2020 £m	53 weeks 2019 £m
Interest payable on finance leases	**(24)**	(3)
Net interest payable to Royal Mail Group entities	**(21)**	(13)
Other miscellaneous interest payable	**(10)**	(3)
Finance costs	**(55)**	(19)
Finance income - interest receivable on investments	**3**	3
Net finance costs	**(52)**	(16)

9. Taxation

(a) Tax (losses)/gains recognised in the year

	52 weeks 2020 £m	53 weeks 2019 £m
Tax credited/(charged) in the income statement:		
Current tax:		
Corporation tax charge for the year	**(1)**	(16)
Tax over-provided in previous year	**1**	2
Total current tax charge	**-**	(14)
Deferred tax:		
Effect of change in tax rates	**9**	-
Relating to origination and reversal of temporary differences	**33**	(7)
Amounts under-provided in previous year	**(2)**	(3)
Total deferred tax credit/(charge)	**40**	(10)
Total tax credit/(charge)	**40**	(24)

Tax credit on items taken to other comprehensive income:

	52 weeks 2020 £m	53 weeks 2019 £m
Current tax:		
Tax credit on foreign currency translation	**-**	1
Deferred tax:		
Tax credit in relation to remeasurement gains of the defined benefit pension schemes	-	2
Tax credit on revaluation of cash flow hedges	11	1
Total deferred income credit	**11**	3
Total credit in the statement of other comprehensive income	**11**	4

Tax (charge)/credit on items taken directly to equity:

	52 weeks 2020 £m	53 weeks 2019 £m
Deferred tax:		
Change in estimated excess tax deductions related to share-based payments	**1**	(1)
Total deferred income tax credit/(charge) recognised directly in equity	**1**	(1)

9. Taxation (continued)

(b) Reconciliation of the total tax credit/(charge)

A reconciliation of the tax credit/(charge) in the income statement and the UK rate of corporation tax applied to accounting profit for the 52 weeks ended 29 March 2020 and 53 weeks ended 31 March 2019 is shown below:

	52 weeks 2020 £m	53 weeks 2019 £m
(Loss)/profit on ordinary activities before tax	**(11)**	186
At UK statutory rate of corporation tax of 19% (2018-19: 19%)	**2**	(35)
Tax under-provided in previous years [1]	**(1)**	(3)
Non-deductible expenses	**(2)**	(6)
Tax reliefs and incentives (including previous years) [2]	**(13)**	6
Tax effect of property disposals	**20**	2
Tax effect of closure of Royal Mail Pension Plan to future accrual	**(2)**	(2)
Net pension interest credit	**17**	15
Buy-in insurance policy for the RMSEPP	**-**	(12)
Regulatory Fine	**(10)**	-
Net decrease in tax charge resulting from non-recognition of certain deferred tax assets and liabilities	**14**	2
Share based payments - Deferred tax only adjustments	**(1)**	(5)
Effect of change in tax rates	**9**	-
Non-taxable dividend received	**7**	14
Tax credit/(charge) in the income statement	**40**	(24)

[1] In 2018-19 the tax under-provided of £3 million is different to the total tax underprovided in the income statement of £1 million as certain items have been disaggregated, specifically, tax overprovided of £2 million relating to tax reliefs and incentives has been disaggregated.

[2] Tax reliefs and incentives of £(13) million includes £(16) million in relation to an increase in an uncertain tax provision for tax relief claimed in prior years.

(c) Factors that may affect future tax charges

At 29 March 2020, the Company had unrecognised tax losses and temporary differences of £3 million (2018-19: £83 million) with a tax value of £1 million (2018-19: £14 million). Unrecognised deferred tax in relation to tax losses comprises £3 million (2018-19: £6 million) of historical UK non-trading and capital losses carried forward. Other unrecognised amounts comprise £nil million (2018-19: £8 million) relating to other temporary differences of £nil (2018-19: £49 million). The Company has not recognised these deferred tax assets on the basis that it is not sufficiently certain of its capacity to utilise them in the future.

The Company also has temporary differences in respect of £185 million (2018-19: £190 million) of capital losses, the tax effect of which is £35 million (2018-19: £32 million) in respect of assets previously qualifying for industrial buildings allowances. Further temporary differences exist in relation to £351 million (2018-19: £382 million) of gains for which rollover relief has been claimed, the tax effect of which is £67 million (2018-19: £65 million). No tax liability would be expected to crystallise on the basis that, were the assets (into which the gains have been rolled over) to be sold at their residual values, no capital gain would arise.

Changes to UK corporation tax rate

The UK corporation tax rate is 19 per cent. The previously announced reduction to 17 per cent has been redacted following the Budget 2020. In accordance with accounting standards the deferred tax balances in these financial statements have been adjusted to effect this change.

9. Taxation (continued)

(d) Net deferred tax asset

	At 31 March 2020 £m	At 25 March 2019 £m
Deferred capital allowances	**41**	30
Pensions	**33**	12
Losses	**22**	25
Employee Shares schemes	**-**	(1)
Short-term timing differences	**22**	11
Hedging	**10**	(1)
Research & Development expenditure credit	**2**	2
Total	**130**	78

The movement on deferred tax is shown below:

	£m
Deferred tax asset at 31 March 2019	**78**
Deferred tax charge in the income statement	**40**
Deferred tax credit on items taken to other comprehensive income	**11**
Deferred tax charged directly to equity – employee share schemes and pensions	**1**
Deferred tax asset at 29 March 2020	**130**

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 31 March 2019	1,139	255	844	686	934	279	4,137
Adoption of IFRS 16	-	688	-	61	2	3	754
At 1 April 2019	1,139	943	844	747	936	282	4,891
Reclassification[1]	(19)	10	9	-	12	(2)	10
Additions	77	36	13	96	24	15	261
Modifications	-	15	-	-	2	-	17
Disposals	-	(1)	(5)	(50)	(14)	-	(70)
Legal entity transfer	(26)	-	-	-	-	-	(26)
Reclassification to non-current assets held for sale	(29)	-	-	-	-	-	(29)
At 29 March 2020	**1,142**	**1,003**	**861**	**793**	**960**	**295**	**5,054**
Depreciation							
At 31 March 2019	683	170	642	333	667	209	2,704
At 1 April 2019	683	170	642	333	667	209	2,704
Reclassification	-	7	(7)	-	-	-	-
Charge for the year (see Note 4)	31	86	33	72	58	21	301
Impairment[2]	5	4	25	-	18	6	58
Disposals – external	-	(1)	(5)	(43)	(13)	-	(62)
Reclassification to non-current assets held for sale	(3)	-	-	-	-	-	(3)
At 29 March 2020	**716**	**266**	**688**	**362**	**730**	**236**	**2,998**
Net book value							
At 29 March 2020	**426**	**737**	**173**	**431**	**230**	**59**	**2,056**
At 1 April 2019	456	773	202	414	269	73	2,187
At 31 March 2019	456	85	202	353	267	70	1,433

[1] Includes a £10 million balance sheet reclassification from inventories to plant and machinery.
[2] Relates to the impairment of Parcelforce Worldwide – see Note 5.

Depreciation rates are disclosed within the accounting policies Note 1. No depreciation is provided on land, which represents £123 million (2018-19: £124 million) of the total cost of properties.

The net book value of the Company's property, plant and equipment includes £95 million (2018-19: £110 million) in respect of assets in the course of construction. The net book value of the Company's land and buildings includes £303 million (2018-19: £362 million) in respect of building fit-out.

The £261 million (2018-19: £199 million) additions include £nil of capitalised borrowing costs.

11. Leases

The adoption of IFRS 16 significantly impacts the Company's balance sheet at the 1 April 2019 transition date, 'right of use' (ROU) assets have been recognised as 'property, plant and equipment' along with the associated lease liabilities. Certain prepayment, onerous lease provision and rent incentive balances have also been impacted. The table below shows the line by line impact on the balance sheet.

IFRS 16 transition impact on the Company balance sheet

	Reported at 31 March 2019 £m	IFRS 16 impact £m	**Reported at 1 April 2019 £m**
Non-current assets			
Property, plant and equipment	1,433	754	**2,187**
Deferred tax assets	78	-	**78**
Other non-current assets	4,418	-	**4,418**
	5,929	754	**6,683**
Assets held for sale	35	-	**35**
Current assets			
Trade and other receivables	844	(20)	**824**
Other current assets	127	-	**127**
	971	(20)	**951**
Total assets	6,935	734	**7,669**
Current liabilities			
Trade and other payables	(2,490)	4	**(2,486)**
Lease liabilities	(36)	(69)	**(105)**
Provisions	(52)	2	**(50)**
Other current liabilities	(41)	-	**(41)**
	(2,619)	(63)	**(2,682)**
Non-current liabilities			
Lease liabilities	(87)	(705)	**(792)**
Provisions	(97)	-	**(97)**
Other non-current liabilities	(141)	35	**(106)**
	(325)	(670)	**(995)**
Total liabilities	(2,944)	(733)	**(3,677)**
Net assets	3,991	1	**3,992**
Equity			
Retained earnings	3,979	1	**3,980**
Other equity	12	-	**12**
Total equity	3,991	1	**3,992**

11. Leases (continued)

Reconciliation of operating lease commitments to the equivalent IFRS 16 lease liabilities at 31 March 2019.

	£m
Undiscounted operating lease future minimum lease payments at 31 March 2019	(1,010)
Irrecoverable VAT included in future minimum lease payments at 31 March 2019[1]	89
Impact of discounting[2]	144
Short-term/low-value leases[3]	14
Other reconciling items (net)	(11)
IAS 17 operating lease liabilities at 31 March 2019 in scope for IFRS 16	(774)

[1] Irrecoverable VAT was included in the operating lease commitments at 31 March 2019, under IFRS 16 this irrecoverable VAT is not included in the lease liability.

[2] The previously disclosed lease commitments are undiscounted, whilst the IFRS16 obligations have been based on RMG's incremental borrowing rate.

[3] The Company has elected to apply the exemption from recognising leases for short-term and low value assets.

The Company primarily leases office buildings and letter and parcel processing facilities. At 29 March 2020 the Company held approximately 685 land and building leases (620 at 1 April 2019 on transition to IFRS 16). The Company also has leases for some of its vehicle fleet and plant and equipment used in the operation. Leases are negotiated on an individual basis and may include extension or termination options.

The lease liabilities are reported as follows in the balance sheet:

	At 29 March 2020	At 31 March 2019
Lease liabilities	**Present value of lease payments £m**	Present value of lease payments £m
Current liabilities		
Lease liabilities due within one year	**(142)**	(36)
Non-current liabilities		
Lease liabilities due between one and five years	**(411)**	(73)
Lease liabilities due beyond five years	**(301)**	(14)

The ROU assets resulting from lease agreements are detailed below.

Right of use assets	**Land and Buildings £m**	**Plant and machinery £m**	**Motor vehicles £m**	**Fixtures and equipment £m**	**Total £m**
29 March 2020					
Cost	**762**	**183**	**468**	**3**	**1,416**
Additions	37	2	16	-	55
Accumulated depreciation and impairment losses	**(88)**	**(123)**	**(266)**	**(1)**	**(478)**
Depreciation charge	(82)	(23)	(47)	(1)	(153)
Carrying amount	**674**	**60**	**202**	**2**	**938**

11. Leases (continued)

Leases are presented in the income statement as detailed below.

Leases in the income statement

	52 weeks 2020 £m
Other operating income	
Sublease income	**3**
Material expenses	
Expenses from short-term/ low-value leases	**(26)**
Variable lease payments not included in the measurement of lease liabilities	**(10)**
Depreciation and impairment losses	
Depreciation on right-of-use assets	**(152)**
Net finance costs	
Interest expense on lease liabilities	**(23)**

The Company has £0.4 million of leases that are unrecognised at 29 March 2020 resulting from leases that have been signed but are yet to commence.

At 29 March 2020, the Company have signed a conditional agreement for a lease. Subject to discharge of the conditions, the intention is to complete the lease during the 2021-22 financial year. When completed, the lease liability and right of use asset to be recognised is expected to be circa £80 million.

12. Intangible assets

	At 31 March 2020 £m
Cost	
At 31 March 2019	**897**
Additions	**65**
Disposals	**(25)**
At 29 March 2020	**937**
Amortisation and impairment	
At 31 March 2019	**424**
Charge for the year (see note 4)	**90**
Impairment[1]	**33**
Disposals	**(25)**
At 29 March 2020	**522**
Net book value	
At 29 March 2020	**415**
At 25 March 2019	473

[1] Relates to the impairment of Parcelforce Worldwide – see Note 5.

The intangible assets outlined above relate to software, have finite lives and are being written down on a straight-line basis. The £65 million (2018-19: £80 million) additions include £1 million (2018-19: £1 million) borrowing costs capitalised at a rate of 2.5 per cent in relation to specific qualifying assets.

13. Investments in subsidiaries and associates

	Subsidiaries £m	Associates £m	Total £m
Cost			
At 31 March 2019	1,182	28	1,210
Additions[1]	111	-	111
At 29 March 2020	**1,293**	**28**	**1,321**
Impairment			
At 31 March 2019	11	23	34
Impairment	-	-	-
At 29 March 2020	**11**	**23**	**34**
Net book value			
At 29 March 2020	**1,282**	**5**	**1,287**
At 31 March 2019	1,171	5	1,176

[1] Additions comprise a £111 million investment in RM Finance CAD Ltd.

Details of the Company's subsidiaries and associates are provided in Note 34.

14. Financial assets – pension escrow investments

The pension escrow investment of £201 million at 29 March 2020 (2018-19: £207 million) comprises RMPP pension escrow investments of £180 million (2018-19: £187 million) and RMSEPP pension escrow investments of £21 million (2018-19: £20 million).

15. Inventories

	At 31 March 2020 £m	At 25 March 2019 £m
Supplies, equipment and materials	**8**	19
Merchandise	**3**	3
Total	**11**	22

The difference between purchase price and replacement cost of the stocks is not material.

16. Trade and other receivables

	At 31 March 2020 £m	At 25 March 2019 £m
Trade receivables	**694**	704
Prepayments and accrued income	**79**	95
Interest	**2**	1
Amounts owed by Royal Mail Group entities	**73**	44
Total	**848**	844

Movements in the loss allowance for bad and doubtful debts are shown below.

	2020 £m	2019 £m
At 29 March 2020 and 31 March 2019	**(24)**	(23)
Receivables provided for during the year	**(53)**	(11)
Release of allowance	**10**	4
Utilisation of allowance	**11**	6
At 29 March 2020 and 31 March 2019	**(56)**	(24)

The Company's approach to loss allowance is explained in the accounting policies in Note 1.

16. Trade and other receivables (continued)

The amount of trade receivables that were past due but not impaired are shown below.

	At 29 March 2020 £m	At 31 March 2019 £m
Not yet overdue	**631**	648
Past due not more than one month	**52**	39
Past due more than one month and not more than two months	**6**	6
Past due more than two months	**5**	11
Total	**694**	704

17. Cash and cash equivalents

	At 29 March 2020 £m	At 31 March 2019 £m
Cash at bank and in hand	**15**	8
Cash equivalent investments: Short-term bank and local authority deposits and money market fund investments	**1,410**	75
Total	**1,425**	83

18. Trade and other payables

	At 29 March 2020 £m	At 31 March 2019 £m
Trade payables and accruals	**(972)**	(842)
Advance customer payments (mainly for stamps held, not yet used by customers)	**(294)**	(291)
Social security	**(91)**	(92)
Amounts due to Royal Mail Group entities	**(1,778)**	(1,229)
Capital expenditure payables	**(38)**	(36)
Total	**(3,173)**	(2,490)

Amounts due to Royal Mail Group entities include £935 million (2018-19: £430 million) loaned to the Company by its parent company Royal Mail plc, following the issue of two bonds by Royal Mail plc. A €500 million bond was issued in July 2014 and a €550 million bond was issued in October 2019. These bonds are revalued at closing Sterling/Euro exchange rates, and the gains/losses recognised in the income statement.

The €550 million bond issued in October 2019 is fully hedged by the Company for foreign currency risk by a cross currency swap. The gains/losses on this bond are offset by gains/losses on the revaluation of the cross-currency swap. During the year, foreign currency exchange losses on the bonds amounted to £15 million (2018-19: £5 million gain) although these were offset by foreign exchange gains of £15 million (2018-19: £5 million loss) on the related loan to the Company's subsidiary Royal Mail Investments Ltd.

The £935 million loan is repayable on demand by the parent company.

The Company operates a supply chain finance arrangement for small and medium suppliers. This form of reverse factoring allows suppliers to obtain early access to funding. Suppliers may choose to access payment as soon as their invoices are processed rather than Royal Mail standard payment terms by paying a financing fee to the scheme provider. The Company pays the provider of the scheme on the due date of the invoices, therefore this scheme does not assist the Company in the management of working capital.

As the scheme has not led to a substantial modification in the terms of the financial liability, the Company continues to treat the amounts owed within trade payables. All cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Company. There is no impact on net debt, as amounts owed continue to be reported within trade payables.

The balance owed on the facility at 29 March 2020 was £25 million (31 March 2019: £27 million).

19. Non-current other payables

	At 31 March 2020 £m	At 31 March 2019 £m
Amounts due to Royal Mail Group entities	**-**	(31)
Other	**(2)**	(36)
Total	**(2)**	(67)

20. Loans and borrowings

During the year, £700 million of the bank syndicate loan facility was drawn-down. The interest rate on this facility is LIBOR plus 0.7 per cent for which the margin over LIBOR consists of a 0.40 per cent margin and a utilisation fee of 0.30 per cent (as the facility was over two thirds drawn at 29 March 2020, the utilisation fee is 0.075 per cent when the facility is under one third drawn). The bank syndicate loan facility can be cancelled and any loans drawn under the facility can become repayable immediately on the occurrence of an event of default under the loan agreements. These events of default include non-payment, insolvency and breach of covenants. On 22 June 2020, a covenant amendment was agreed that waived the financial covenants relating to interest (excluding arrangement fees), adjusted net debt and EBITDA until March 2022, replacing them with a quarterly minimum liquidity covenant. It is not anticipated that the Company is at risk of breaching any of these amended obligations.

21. Bank overdraft

	At 31 March 2020 £m	At 31 March 2019 £m
Bank overdraft	**(35)**	(30)
Total	**(35)**	(30)

The overdraft of £35 million consists of £28 million (2018-19: £20 million) overdraft within a cash pool (offsetting other Group companies cash balances within the pool leaving a net credit balance on the pool at year end) and £7 million (2018-19: £10 million) of accounting overdrafts related to payments being processed but which have not cleared the bank account at the balance sheet date.

22. Provisions

	Specific items £m	Other £m	Total £m
At 31 March 2019	**(95)**	**(54)**	**(149)**
IFRS 16 opening adjustments	**-**	**2**	**2**
Arising during the year:			
– charged in operating specific items	**(53)**	**-**	**(53)**
– released in operating specific items	**3**	**-**	**3**
– charged in other operating costs	**-**	**(62)**	**(62)**
– unused amounts released	**-**	**4**	**4**
Reclassification	**-**	**1**	**1**
Utilised in the year	**2**	**54**	**56**
Unwinding of discount – industrial diseases claims	**(1)**	**-**	**(1)**
At 29 March 2020	**(144)**	**(55)**	**(199)**
Disclosed as:			
Current	**(57)**	**(45)**	**(102)**
Non-current	**(87)**	**(10)**	**(97)**
At 29 March 2020	**(144)**	**(55)**	**(199)**
Disclosed as:			
Current	(9)	(43)	(52)
Non-current	(86)	(11)	(97)
At 31 March 2019	(95)	(54)	(149)

22. Provisions (continued)

Specific items
The specific items provisions of £144 million (2018-19: £95 million) include £85 million (2018-19: £83 million) for potential industrial diseases claims relating to both current and former employees of the Company.

The Company's liability in respect of former employees arose in 2010 as a result of a Court of Appeal judgement that held the Company liable for diseases claims brought by individuals who were employed in the General Post Office telecommunications division and whose employment ceased prior to October 1981. Consequently, a provision was first recognised in 2010-11.

The Company has derived its current provision by using estimates and ranges calculated by its actuary, which are based on current experience of claims, and an assessment of potential future claims, the majority of which are expected to be received over the next 25 to 30 years. The Company has a rigorous process of ensuring that only valid claims are accepted. £5 million of this provision is expected to be utilised in 2020-21.

The specific items provision also include £51 million for Ofcom fine. On 14 August 2018, Ofcom published its decision following its investigation into whether Royal Mail had breached competition law. The investigation was launched in February 2014, following a complaint brought by TNT Post UK (now Whistl). Ofcom found that Royal Mail had abused its dominant position in the market for bulk mail delivery services in the United Kingdom by issuing Contract Change Notices on 10 January 2014 which introduced discriminatory prices. It fined Royal Mail £50 million. Royal Mail lodged an appeal with the Competition Appeal Tribunal (CAT) on 12 October 2018 to have both Ofcom's decision and fine overturned. On 12 November 2019, the CAT issued its judgment, which upheld Ofcom's decision and fine. In light of the CAT judgment, a provision has been made and charged to operating specific items, representing the fine and associated interest.

In January 2020, RMG requested permission to appeal the CAT's judgment to the Court of Appeal (CoA). On 30 March 2020, the CoA granted Royal Mail permission and indicated that a hearing would be held over one-to-two days in mid-2021.

The remainder consists of legacy property costs of £7 million, of which £1 million is expected to be utilised within two to five years and £6 million over a period greater than five years, and costs associated with integrating RM Property and Facilities Solutions Limited (formerly Romec Limited) of £1 million, which is all due to be utilised in 2020-21.

Other provisions (charged in other operating costs)
Other provisions of £55 million (2018-19: £43 million) include £12 million (2018-19: £11 million) in respect of redundancy schemes previously reported as part of transformation costs.

The remainder consists of property decommissioning obligations of £11 million, of which £2 million is expected to be utilised in 2020-21, £2 million within one to two years, £3 million within two to five years, and £4 million over a period greater than five years, and exposures resulting from legal claims incurred in the normal course of business of £31 million, expected to be utilised in 2020-21. The remaining £1 million comprises employers National Insurance associated with the Long-Term Incentive Plan, which is expected to be utilised within one to two years.

23. Retirement benefit plans

Summary pension information

	52 weeks 2020 £m	53 weeks 2019 £m
Ongoing UK pension service costs		
UK defined benefit plan (including administration costs)[1]	**(395)**	(372)
UK defined contribution plan	**(95)**	(81)
UK defined benefit and defined contribution plans' Pension Salary Exchange (PSE) employer contributions[2]	**(178)**	(172)
Total UK ongoing pension service costs	**(668)**	(625)

	At 29 March 2020 '000	At 31 March 2019 '000
UK pension plans – active membership		
UK defined benefit plan	**79**	83
UK defined contribution plan	**54**	51
Total	**133**	134

[1] These pension service costs are charged to the income statement. They represent the cost (as a percentage of pensionable payroll – 20.8 per cent (2018-19: 41.0 per cent) for the RMPP until 31 March 2018 and 18.9 per cent for the DBCBS from 1 April 2018) of the increase in the defined benefit obligation due to members earning one more years worth of pension benefits. They are calculated in accordance with IAS 19 and are based on market yields (high quality corporate bonds and inflation) at the beginning of the reporting year. Pensions administration costs for the RMPP of £9 million (2018-19: £8 million) and the DBCBS of £4 million (2018-19: £2 million) continue to be included within the Company's ongoing UK pension service costs.

[2] Eligible employees who are enrolled into PSE opt out of making employee contributions to their pension and the Company makes additional contributions in return for a reduction in basic pay.

In the period, the Company operated the following plans.

UK Defined Contribution plan

The Company operates the Royal Mail Defined Contribution Plan (RMDCP). This plan was launched in April 2009 and is open to employees who joined the Company from 31 March 2008, following closure of the RMPP to new members.

Ongoing UK defined contribution plan costs have increased from £134 million in 2018-19 to £168 million (including £72 million PSE costs). This is mainly due to the continued increase in plan membership and an increase in the average employer's contribution rate from 8.0 per cent in 2018-19 to 8.6 per cent in 2019-20.

This increase is largely as a result of members electing to transfer to the standard section which is subject to higher Company contribution rates, following a Government-mandated increase in contribution rates for members not in the standard section from 3 per cent to 5 per cent on 6 April 2019.

UK Defined Benefit plans

Royal Mail Pension Plan (RMPP) [3]

The RMPP is funded by the payment of contributions to separate trustee administered funds. The 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 on or after 1 December 1971 and before 1 April 1987, or for members of Section A who chose to receive Section B benefits; and
- Section C is for members (or beneficiaries of members) who joined on or after 1 April 1987 and before 1 April 2008.

Section A/B members built up a pension of 1/80th of pensionable salary plus a tax-free lump sum of 3/80ths of pensionable salary for each year of pensionable service, until 31 March 2018.

Section C members built up a pension of 1/60th of pensionable salary for each year of pensionable service, until 31 March 2018. If they want to take a tax-free lump sum at retirement they do so by exchanging some of their pension.

From 1 April 2018, Section A/B and C members began building up benefits on a DBCBS basis.

Royal Mail Pensions Trustees Limited acts as the corporate Trustee to the RMPP. Within the Trustee, there is a Trustee Board of nine nominated Trustee Directors. The Trustee Board is supported by an executive team of pension management professionals. They provide day to day plan management, advise the Trustee on its responsibilities and ensure that decisions are fully implemented.

23. Retirement benefit plans (continued)

The Trustee has several responsibilities. It must always act in the best interests of all RMPP beneficiaries – including active members, deferred members, pensioners and beneficiaries. Specifically, it must pay all benefits as they fall due under the Trust Deed and Rules. The Trustee is responsible for:

– monitoring the RMPP – to help protect benefits, the Trustee monitors the financial strength of the participating employers;
– investing contributions – the Trustee invests the member and employer contributions in a mix of equities, bonds, property and other investments including derivatives. It holds the contributions and investments on behalf of the members; and
– keeping members informed – the Trustee sends active members an annual benefit illustration together with a summary of the RMPP's annual report and accounts.

No RMPP service contributions were made during 2019-20. One week of service contributions was paid during 2018-19 up to when the scheme closed on 31 March 2018. This payment was paid at 17.1 per cent of pensionable pay in accordance with the 8 May 2017 Schedule of Contributions. As the March 2018 valuation continued to show the scheme in surplus, no deficit correction payments are expected to be made.

An agreement has been made with the Pension Trustee to ringfence certain employer contributions in an escrow arrangement in order to give the Trustee and the Company more flexibility over how these assets are best used for the benefit of members in future. These contributions are not considered to be Plan assets as the Trustee does not have control over the assets. This balance is included within non-current financial assets.

Defined Benefit Cash Balance Scheme (DBCBS)
A Defined Benefit Cash Balance Scheme (DBCBS) has been in place since 1 April 2018. This is a transitional arrangement until the proposed Collective Defined Contribution (CDC) scheme can be established. Active former RMPP section A/B and C members are accruing benefits under the DBCBS from 1 April 2018. Section F of the RMPP is for active former RMDCP members who became eligible to join the RMPP and have accrued DBCBS benefits from 1 April 2018.

[3] Any references to the RMPP relate to the scheme's defined benefit pension liabilities built up to 31 March 2018. Members built up DBCBS benefits from 1 April 2018.

DBCBS members build up a guaranteed lump sum benefit of 19.6% of their pensionable pay each year. Although there are no guaranteed increases to this lump sum the aim is to provide above inflation increases, and the Trustee invests in the scheme assets accordingly. If the value of the DBCBS assets were to fall below the value of the members' guaranteed lump sum benefits, then no increases would be awarded until asset values had recovered as the Company has a legal obligation to prevent a decrease in the asset value. From an assessment of announcements and internal communications made to members of the scheme to date and taking into account the first increase granted in March 2020, Management is of the view that there is a constructive obligation to provide an increase to the lump sum, as scheme members would have a reasonable expectation of returns of CPI plus two per cent.

The Company signed a Schedule of Contributions on 19 July 2019. This covers a period of five years from the date of certification of the schedule i.e. until July 2024. In accordance with this schedule, the Company is required to make payments totalling 15.6 per cent per annum of pensionable payroll in respect of DBCBS.

Royal Mail Senior Executives Pension Plan (RMSEPP)
Royal Mail Group Limited also contributes to a smaller defined benefit plan for executives: RMSEPP. This closed in December 2012 to future accrual, therefore the Company makes no regular future service contributions. In accordance with the Schedule of Contributions agreed as part of the 2018 triennial valuation, a final deficit payment of £1 million was paid in 2018-19, together with £1 million in respect of death-in-service lump sum benefits and administration expenses. In accordance with the new Schedule of Contributions signed on 25 March 2019, £500,000 has been paid in 2019-20 and is due to be paid per annum for the period 1 April 2020 to 31 March 2025.

Following the purchase of an additional insurance policy in September 2018 in respect of all remaining pensioners and deferred members it was decided to proceed to buy-out and wind-up the Plan. As a result, the purchase of the insurance policy was treated as a settlement in the 2018-19 financial statements. The difference between the IAS 19 surplus before and after the transaction resulted in £64 million being charged to the income statement as an operating specific item. Further progress towards buy-out and winding-up of the Plan has been made in the current year, and the target is to have the process completed in 2021.

All benefit payments due from the RMSEPP remain unchanged. The insurance policies held by the RMSEPP exactly match the value and timing of the benefits payable to individual members and the fair value is deemed to be the present value of the related obligations. The total value of the buy-in annuity policies in place is £296 million (31 March 2019: £335 million) and is included as a pension asset at 29 March 2020[4].

A liability of £2 million (2018-19: £2 million) has been recognised for future payment of pension benefits to a past Director.

23. Retirement benefit plans (continued)

Accounting and actuarial funding surplus position (RMPP, RMSEPP and DBCBS)
In addition to the accounting valuations calculated in accordance with IAS 19, actuarial funding valuations are carried out every three years by actuaries commissioned by trustees for purposes of calculating contributions and funding requirements. The main difference between the accounting and actuarial funding valuations is that different rates are used to discount the projected scheme liabilities. The accounting valuation uses yields on high quality corporate bonds and the actuarial funding valuation uses gilt yields. As the accounting discount rate is higher than the actuarial funding discount rate, this leads to a lower computed liability.

The triennial valuation of RMPP at 31 March 2018 was agreed on 19 July 2019. Based on this set of assumptions rolled forward, the RMPP actuarial surplus at 29 March 2020 was estimated to be around £575 million. The DBCBS will be subject to triennial actuarial valuations in the future and the first full valuation for this will be performed as at 31 March 2021. A draft DBCBS funding position has however been calculated based on the assumption that the funding surplus is equal to the amount held in respect of the risk reserve. Under this method, the DBCBS actuarial surplus was estimated to be around £18 million.

Below is a summary of the combined plans' assets and liabilities on an accounting (IAS 19) and actuarial funding basis.

	DBCBS Accounting (IAS 19)		**DBCBS Actuarial funding**		**RMPP and RMSEPP Accounting (IAS 19)**		**RMPP and RMSEPP Actuarial funding**	
	At 29 March 2020 £m	At 31 March 2019 £m	**At 31 March 2020 £m**	At 31 March 2019	**At 29 March 2020 £m**	At 31 March 2019 £m	**At 31 March 2020 £m**	At 31 March 2019 £m
Fair value of plans' assets (21(b) below)[5]	**726**	400	**735**	402	**11,968**	10,782	**11,700**	10,877
Present value of plans' liabilities	**(903)**	(472)	**(717)**	(393)	**(6,408)**	(7,076)	**(11,116)**	(10,818)
(Deficit) / Surplus in plans (pre withholding tax payable)[6]	**(177)**	(72)	**18**	9	**5,560**	3,706	**584**	59
Witholding tax payable	**n/a**	n/a	**n/a**	n/a	**(1,946)**	(1,298)	**n/a**	n/a
(Deficit)/surplus in plans[7]	**(177)**	(72)	**18**	9	**3,614**	2,408	**584**	59

[4] In accordance with IAS 19.
[5] Difference between accounting and actuarial funding asset fair values on 29 and 31 March 2020 arises from the different year end dates used for the valuation of the assets, and in both years due to the valuation of the RMSEPP buy-in assets under both methods.
[6] Any reference to a withholding tax adjustment relates to withholding tax payable on distribution of a pension surplus.
[7] On an actuarial funding basis, the excess of DBCBS assets over liabilities is as a result of the risk reserve.

There is no element of the present value of the plans' liabilities above that arises from plans that are wholly unfunded.

Having taken legal advice with regard to the rights of the Company under the Trust deeds and rules, the Directors believe there is a right to recognise a pension surplus on an accounting basis. The Directors do not believe that the surplus in the RMPP on an accounting basis will result in a surplus on an actuarial funding basis. However, the Directors are required to account for the plans based on the Company's legal right to benefit from a surplus, using long-term actuarial funding assumptions current at the reporting date, as required by IFRS. As the Company has a legal right to benefit from a surplus in the RMPP and RMSEPP, under IAS 19 and IFRIC 14, it must recognise the economic benefit it considers to arise from either a reduction to its future contributions or a refund of the surplus. This is a technical adjustment made on an accounting basis. There is no cash benefit from the surplus.

The legal right to benefit from a surplus has not changed as a result of the Company's decision to close the RMPP, however any surplus is no longer considered to be recoverable as a reduction to future employer contributions. Therefore, the surplus is considered to be available as a refund. This surplus is presented net of a withholding tax adjustment of £1,942 million (at 31 March 2019: £1,294 million) on the balance sheet, which represents the tax that would be withheld on the surplus amount.

Included in the IAS 19 figures in the table above is a RMSEPP surplus at 29 March 2020 of £10 million (pre withholding tax payable) (at 31 March 2019: £10 million surplus).

As the RMSEPP is closed to future accrual, the surplus is considered to be available as a refund as per IFRIC 14 and, as such, is shown net of a withholding tax adjustment of £4 million (at 31 March 2019: £4 million) on the balance sheet which represents the tax that would be withheld on the surplus amount.

The Company does not currently expect that the total cash contribution rate for all of the schemes as a percentage of pensionable pay will materially change over the next five years nor does it expect any deficit payments to be required.

23. Retirement benefit plans (continued)

Guaranteed Minimum Pensions (GMP)
Pension schemes are now under an obligation to address the issue of unequal Guaranteed Minimum Pensions (GMP). From Royal Mail's perspective, the transfer of RMPP's historical pension liabilities to HM Government in 2012, in accordance with the Postal Services Act 2011, included all of the Plan's GMP liabilities. The requirement to remove the inequality in former RMPP benefits deriving from GMPs therefore rests with Government.

The RMSEPP, however, does still have its GMP liabilities and will be required to take action to equalise benefits. The Trustees' actuaries estimate that the cost of GMP equalisation will be less than £0.5 million. This is still subject to further legal clarification on exact equalisation requirements, and also to the actual equalisation approach adopted.

The following disclosures relate to the major assumptions, sensitivities, assets and liabilities in the RMPP and RMSEPP and DBCBS.

a) Major long-term assumptions used for accounting (IAS 19) purposes – RMPP, RMSEPP and DBCBS
IAS 19 assumptions will be derived separately for the legacy RMPP and DBCBS, in particular taking into account the different weighted durations of the future benefit payments. The RMSEPP will continue in line with legacy RMPP benefits.

The major assumptions used to calculate the accounting position of the pension plans were as follows:

	At 29 March 2020	At 31 March 2019
Retail Price Index (RPI)	**2.5%**	3.2%
Consumer Price Index (CPI)	**1.7%**	2.2%
Discount rate – RMPP/RMSEPP [8]		
– nominal	**2.2%**	2.4%
– real (nominal less RPI)	**(0.3%)**	(0.8%)
Discount rate – DBCBS [9]		
– nominal	**2.2%**	2.2%
– real (nominal less RPI)	**(0.4%)**	(1.0%)
Rate of increase in pensionable salaries [10]	**RPI-0.1%**	RPI-0.1%
Rate of increase for deferred pensions	**CPI**	CPI
Rate of pension increases – RMPP Sections A/B	**CPI**	CPI
Rate of pension increases – RMPP Section C [10]	**RPI-0.1%**	RPI-0.1%
Rate of pension increases – RMSEPP members transferred from Section A or B of RMPP	**CPI**	CPI
Rate of pension increases – RMSEPP all other members [10]	**RPI-0.1%**	RPI-0.1%
Rate of pension increases – DBCBS benefits	**CPI+2.0%**	CPI+2.0%
Life expectancy from age 60 – for a current 40/60 year old male RMPP member	**28/26 years**	28/26 years
Life expectancy from age 60 – for a current 40/60 year old female RMPP member	**30/28 years**	29/27 years

[8] The discount rate reflects the average duration of the RMPP of around 27 years and RMSEPP of around 20 years.
[9] The discount rate reflects the average duration of the DBCBS benefits of 15 years. The pension service cost applicable from 1 April 2019 is based on 31 March 2019 assumptions.
[10] The rate of increase in salaries, and the rate of pension increase for Section C members (who joined the RMPP on or after 1 April 1987) and RMSEPP 'all other members', is capped at five per cent, which results in the average long-term pension increase assumption being 10 basis points lower than the RPI long-term assumption.

Retail Price Index
Historically the Company's calculations have been based on an assumed gap of 100bps between RPI and CPI rates. The UK Statistics Authority and HM Treasury are currently however jointly consulting on reforming the methodology of the Retail Prices Index (RPI) with a view to abolishing this measure and replacing this with something close to CPI as a universal measure of inflation. As a result, the market appears to be pricing in a narrower gap between RPI and CPI, particularly after 2030. Therefore, the Company has adjusted its assumption for this measure to an 80bps gap, being the weighted average of the expected gap over the duration of the liabilities, the impact of this has been circa £65 million for RMPP and £25 million for DBCBS. It is expected that the RPI CPI gap will continue to decrease in future periods.

Mortality
The RMPP assumptions are based on the latest Self-Administered Pension Scheme (SAPS) S2 mortality tables with appropriate scaling factors (118 per cent for male pensioners (2018-19: 118 per cent) and 116 per cent for female pensioners (2018-19: 116 per cent)). Future improvements are based on the CMI 2017 core projections (smoothing factor 8.0 (2018-19: 8.0)) with a long-term trend of 1.5 per cent per annum (2018-19: 1.5 per cent). These assumptions were adopted following a mortality study undertaken as part of the March 2018 actuarial valuation.

23. Retirement benefit plans (continued)

Sensitivity analysis for RMPP and DBCBS liabilities

The RMPP and DBCBS liabilities are sensitive to changes in key assumptions. The potential impact of the largest sensitivities on the RMPP and DBCBS liabilities is as follows:

Key assumption change	Potential increase in DBCBS liabilities £m	Potential increase in RMPP liabilities £m
Additional one year of life expectancy	–	230
Increase in inflation rate (both RPI and CPI simultaneously) of 0.1% p.a.	13	155
Decrease in discount rate of 0.1% p.a.	13	155
Increase in CPI assumption (assuming RPI remains constant) of 0.1% p.a.	13	30
Increase in constructive obligation of 0.1% p.a.	13	–
Increase in inflation rate (both RPI and CPI simultaneously) of 0.5% p.a.	70	780
Decrease in discount rate of 0.5% p.a.	65	680
Increase in CPI assumption (assuming RPI remains constant) of 0.5% p.a.	70	170

This sensitivity analysis has been determined based on a method that assesses the impact on the defined benefit obligation, resulting from reasonable changes in key assumptions occurring at the end of the reporting year. The discount rate and RPI sensitivities are calculated using the mean term of the relevant section to derive the impact of a 0.1 per cent / 0.5 per cent change in assumption. For the RPI/CPI gap, the approach is the same for DBCBS, but for legacy RMPP, the liabilities as at 31 March 2019 are considered to derive an accurate impact in percentage terms. This percentage is then applied to the liabilities at March 2020. This approach is unchanged from the prior year, although any change in mean terms will impact the sensitivities. Changes inverse to those in the table (e.g. an increase in discount rate) would have the opposite effect on liabilities.

As a result of the current COVID-19 pandemic, there has been significant volatility in these assumptions in recent months. At the end of May corporate bond yields had fallen significantly and as a result the discount rate was 100 basis points lower than the rate at the year end date for the DBCBS scheme and 90 basis points lower than the rate at year end for the RMPP scheme. The majority of the scheme's liabilities are however, hedged with government gilts, and yields in these have decreased from 2.35 per cent to 1.52 per cent in the same period.

b) RMPP, RMSEPP and DBCBS assets

	At 29 March 2020			At 31 March 2019		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities						
UK	-	21	21	10	-	10
Overseas	21	33	54	318	74	392
Bonds						
Fixed interest – UK	291	18	309	267	69	336
– Overseas	137	82	219	56	393	449
Pooled investments						
Absolute return	-	495	495	-	647	647
Equity	-	86	86	-	152	152
Private equity	-	163	163	-	80	80
Fixed interest	-	401	401	-	500	500
Private debt	-	453	453	-	202	202
Property	-	59	59	-	52	52
Liability-driven investment[11]	9,088	233	9,321	7,113	269	7,382
Property (UK)	-	342	342	-	294	294
Cash and cash equivalents	467	-	467	384	-	384
Other	3	-	3	1	(6)	(5)
Derivatives	-	6	6	(7)	(20)	(27)
RMSEPP buy-in annuity policies	-	295	295	-	334	334
Total plans' assets	10,007	2,687	12,694	8,142	3,040	11,182

[11] A portfolio of largely gilt and swap contracts that is designed to hedge the majority of the interest rate and inflation risk associated with the Plans' obligations. At 29 March 2020 it included £9.3 billion of index-linked gilts, £353 million in short-term money market funds and £132 million of swaps, offset by negative fair value investments of £505 million of repurchase agreements and £77 million of cash and similar instruments.

23. Retirement benefit plans (continued)

There were no open equity futures or options derivatives within this portfolio at 29 March 2020 (2018-19: £nil). £8.8 billion (2018-19: £7 billion) of HM Government bonds are primarily included in the liability-driven investments balance above. The plans' assets do not include property or assets used by the Company or shares of Royal Mail plc at 29 March 2020 (2018-19: £nil).

Risk exposure and investment strategy

The investment strategy of the RMPP Trustee aims to safeguard the assets of the Plan and to provide, together with contributions, the financial resource from which benefits are paid. Investments are inevitably exposed to risks. The risks inherent in the investment markets are partially mitigated by pursuing a widely diversified approach across asset classes and investment managers. The RMPP uses derivatives (such as swaps, forwards and options), from time to time to reduce risks whilst maintaining expected investment returns. The RMPP Trustee recognises that there is a natural conflict between improving the potential for positive return and limiting the potential for poor return. The RMPP Trustee has specified objectives for the investment policy that seeks to balance these requirements.

The RMPP's liabilities and assets are impacted by movements in interest rates and inflation. In order to reduce the risk of movements in these rates driving the RMPP into a funding deficit, the RMPP Trustee has hedged the funding liabilities which it was estimated would be built up by March 2018. It has done this predominantly through investment in index-linked gilts and derivatives (interest rate and inflation rate swaps and gilt repurchase agreements) held in liability-driven investments providing economic exposure to gilts and swap rates. The nature of risks and their mitigation process are similar for the DBCBS.

The change in value of the liability-hedging assets is predominantly reflected in the liability-driven investment values, which have increased from £7,382 million at 31 March 2019 to £9,321 million at 29 March 2020.

The notional value covered by the inflation rate swaps (full exposure to the relevant asset class incurred by entering into a derivative contract) held in a specific managed portfolio for this purpose at 31 March 2019 was £2.4 billion (2018-19: £2.4 billion). The notional value covered by the interest rate swaps at 31 March 2019 was £0.3 billion (2018-19: £1.5 billion).

The equity exposure of the RMPP has been reduced by means of a short Total Return Swap (TRS). This is a derivative that can be used to reduce exposure to a particular asset class without selling the physical assets held. TRS were introduced in order to reduce downside risk whilst broadly maintaining the existing expected returns. The TRS has a market value as at 29 March 2020 of £9 million (2018-19: £(20) million) included in the derivative values above. The TRS economically offsets £62 million at 29 March 2020 (2018-19: £303 million) of the Plan's global equity market exposure.

The RMPP's liabilities are impacted by longer than expected life expectancy resulting in higher than expected payout levels. Although this risk is not hedged, mortality studies are undertaken as part of actuarial funding valuations and where appropriate updated assumptions are adopted for accounting valuations.

A fall in yields on AA rated corporate bonds, used to set the IAS 19 discount rates, will lead to an increase in the IAS 19 liabilities. The RMPP's assets included corporate bonds, HM Government bonds and interest rate derivatives that are expected to partly offset the impact of movements in the discount rate. However, yields on these assets may diverge compared with the discount rate in some scenarios.

In the pension schemes, many of the inflation linked increases that apply are restricted to a maximum increase of five per cent in any year. Therefore, the pension schemes give some protection from this risk of significantly higher levels of inflation (i.e. above five per cent a year), as many of the increases in the schemes would be restricted to five per cent in this scenario.

The spread of investments continues to balance security and growth in order to pay the RMPP benefits when they become due.

In addition to property and cash, the RMSEPP holds two buy-in annuity policies totalling £295 million at 31 March 2019 (2018-19: £334 million) to match its liabilities.

Further details on key sources of estimation uncertainty and judgments relating to pensions, including how the assets have been valued, can be found in accounting policies in Note 1.

23. Retirement benefit plans (continued)

c) Movement in RMPP and RMSEPP assets, liabilities and net position

Changes in the value of the defined benefit pension liabilities, fair value of the plans' assets and the net defined benefit surplus are analysed as follows:

	Defined benefit asset		Defined benefit liability		Net defined benefit surplus	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Retirement benefit surplus (before withholding tax payable) at 1 April 2019 and 26 March 2018	**10,782**	10,340	**(7,076)**	(7,017)	**3,706**	3,323
Amounts included in the income statement						
Ongoing UK defined benefit pension plan and administration costs (included in people costs)	**(9)**	(8)	**-**	(5)	**(9)**	(13)
RMSEPP buy-in settlement costs	**-**	(64)	**-**	-	**-**	(64)
Pension interest income/(cost)[12]	**258**	247	**(169)**	(168)	**89**	79
Total included in profit before tax	**249**	175	**(169)**	(173)	**80**	2
Amounts included in other comprehensive income – remeasurement gains/(losses)						
Actuarial gain/(loss) arising from:						
Financial assumptions	**-**	-	**751**	(197)	**751**	(197)
Demographic assumptions	**-**	-	**(17)**	169	**(17)**	169
Experience adjustment	**-**	-	**19**	67	**19**	67
Return on plans' assets (excluding interest income)	**1,020**	344	**-**	-	**1,020**	344
Total remeasurement gains of the defined benefit surplus	**1,020**	344	**753**	39	**1,773**	383
Other						
Employer contributions[13]	**1**	3	**-**	-	**1**	3
Benefits paid	**(84)**	(78)	**-**	78	**(84)**	-
Curtailment costs	**-**	-	**84**	-	**84**	-
Movement in pension-related accruals	**-**	(2)	**-**	(3)	**-**	(5)
Total other movements	**(83)**	(77)	**84**	75	**1**	(2)
Retirement benefit surplus (before withholding tax payable) at 29 March 2020 and 31 March 2019	**11,968**	10,782	**(6,408)**	(7,076)	**5,560**	3,706
IFRIC 14 adjustment	**n/a**	n/a	**n/a**	n/a	**(1,946)**	(1,298)
Retirement benefit surplus (net of withholding tax payable) at 29 March 2020 and 31 March 2019	**n/a**	n/a	**n/a**	n/a	**3,614**	2,408

[12] Pension interest income results from applying the plans' discount rate at 29 March 2020 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 29 March 2020 to the plans' liabilities at that date.

[13] Excludes payments into pension escrow investments of £nil million (2018-19: £7 million) but includes PSE contributions of £nil million (2018-19: £9 million).

d) Movement in DBCBS assets, liabilities and net position

	Defined benefit asset	Defined benefit liability	Net defined benefit deficit
	2020 £m	**2020 £m**	**2020 £m**
Retirement benefit at 31 March 2019	**400**	**(472)**	**(72)**
Amounts included in the income statement			
Ongoing UK defined benefit pension plan and administration costs (included in people costs)	**(4)**	**(483)**	**(487)**
Interest	**13**	**(16)**	**(3)**
Total included in profit before tax	**9**	**(499)**	**(490)**
Amounts included in other comprehensive income – remeasurement losses			
Actuarial (loss)/gain arising from:			
Financial assumptions	**-**	**49**	**49**
Return on plans' assets	**(51)**	**-**	**(51)**
Experience assumptions	**-**	**(1)**	**(1)**
Total remeasurement (losses)/gains of the defined benefit deficit	**(51)**	**48**	**(3)**
Other			
Employer contributions[14]	**388**	**(4)**	**384**
Employee contributions	**4**	**-**	**4**
Benefits paid	**(24)**	**24**	**-**
Total other movements	**368**	**20**	**388**
Retirement benefit deficit at 29 March 2020	**726**	**(903)**	**(177)**

[14] Includes PSE contributions of £107 million.

24. Non-current other receivables

	At 29 March 2020 £m	At 31 March 2019 £m
Amount owed by Royal Mail Group entities	**15**	147
Other	**5**	3
Total	**20**	150

25. Assets held for sale

The balance sheet values of the assets held for sale during the reporting year are shown below.

	At 29 March 2020 £m	At 31 March 2019 £m
Property assets held for sale	**25**	35
Total	**25**	35

Non-current assets held for sale of £25 million at 29 March 2020 (2018-19: £35 million) relate to land and buildings which are being actively marketed with a view to a sale within 12 months. The carrying value mainly relates to the remaining plots at the Nine Elms site.

The decrease in the carrying value results primarily from the sale of certain property in the period, most notably two plots at the Nine Elms site. An assessment of the fair value of all the properties was made at the time of their reclassification to 'held for sale' and no adjustment to the carrying amount of these properties was necessary.

26. Share-based payments

Employee Free Shares
Employee Free Shares are held on behalf of employees in a tax-advantaged Share Incentive Plan (SIP).

The shares are held in a Trust administered by Equiniti Share Plan Trustees Limited (Equiniti) and may only be distributed to, or for the benefit of, eligible employees. The Trust is funded by the Company and has therefore been consolidated within these financial statements.

2016 SIP
On 6 October 2016, ordinary shares representing one per cent of the Company were granted free of charge to eligible full-time employees by HM Government. Accordingly, each eligible full-time employee received 81 shares as their 2016 SIP allocation with part-time eligible employees being allocated a pro-rata number of shares. The vesting period for the award is three years from the award date with all allocated shares to be equity-settled.

Partnership and matching shares
Beginning in October 2018, a partnership and matching share scheme was introduced for eligible employees. Under the terms of the scheme employees may elect to purchase a limited number of Royal Mail plc shares through monthly payroll deductions at the current market price (partnership shares). For every five partnership shares purchased, the employee receives one unallocated SIP share (matching shares), up to a maximum of two matching shares per month, free of charge.

At 29 March 2020 there had been eighteen (2018-19: six) such monthly awards and a total of 587,056 (2018-19: 191,468) matching shares had been awarded to eligible staff members at a weighted average market price of 239.8 pence (2018-19: 295.7 pence). The vesting period for each award is three years from the award date with all allocated shares to be equity-settled.

A charge to the income statement of £4 million (including a net £3 million National Insurance credit) has been made for the year ended 29 March 2020 (2018-19: £22 million charge including a net £1 million National Insurance credit) for all SIP allocations.

26. Share-based payments (continued)

A reconciliation of the ordinary shares held in the SIP at 29 March 2020 is shown below.

	Number of shares
Total shares remaining in SIP at 1 April 2019	75,183,435
Shares sold/transferred out of SIP during the reporting year (fully vested)	(2,897,538)
Shares transferred out of SIP during the reporting year ('good leavers')[1]	(4,103,624)
Total shares remaining in SIP at 29 March 2020	**68,182,273**

[1] 'Good leavers' refers to former employees whose shares vested under specific circumstances, in accordance with the rules of the scheme.

Of the total shares remaining in the scheme, 65,863,180 (2018-19: 72,589,514) have been allocated to current employees. The remaining 2,319,093 (2018-19: 2,593,921) shares are unallocated and have arisen as a result of forfeitures.

Award of shares under the Long-Term Incentive Plan (LTIP)

2017 LTIP
LTIP awards were granted to senior management on 28 July 2017 and 11 December 2017 (together the 2017 LTIP). The vesting period is three years from the grant date, and the performance conditions, are identical for both awards. These awards are equity-settled with the fair value of the shares awarded being calculated using a Monte-Carlo simulation, taking into account dividend accrual, and set at 203.0 pence and 283.0 pence, respectively. The 2017 LTIP did not vest, as the threshold performance level over the period to 29 March 2020 was not achieved and has lapsed in full.

2018 LTIP
LTIP awards were granted to senior management on 9 August 2018 (2018 LTIP) with a vesting period of three years from the grant date. This award is equity-settled with the fair value of the shares awarded being calculated using a Monte-Carlo simulation, taking into account dividend accrual, and set at 160.0 pence. The maximum number of shares that have the potential to vest under the 2018 LTIP are 893,551.

2019 LTIP
LTIP awards were granted to senior management on 8 August 2019 and 12 December 2019 (together the 2019 LTIP) with a vesting period of three years from the grant date. This award is equity-settled with the fair value of the shares awarded being calculated using a Monte-Carlo simulation, taking into account dividend accrual, and set at 84.0 pence (August 2019 award) and 100.0 pence (December 2019 award) for market based conditions and 211.0 pence (August 2019 award) and 232.0 pence (December 2019 award) for non-market based conditions. The maximum number of shares that have the potential to vest under the 2019 LTIP are 2,298,348.

A charge to the income statement of £2 million (including £nil million for National Insurance) has been made for the year ended 29 March 2020 in relation to all LTIP schemes (2018-19: £3 million, including £1 million credit for National Insurance).

The LTIP shares are not part of the SIP explained above.

Deferred Shares Bonus Plan (DSBP)

2016 DSBP
DSBP awards were granted to senior management on 20 June 2017. The vesting period is three years from the grant date. This award is equity-settled with the fair value of the shares awarded, being set at the grant date market value of 441.4 pence. The maximum shares that have the potential to vest under the scheme are 557,261.

2017 DSBP
DSBP awards were granted to senior management on 20 June 2018. The vesting period is three years from the grant date. This award is equity-settled with the fair value of the shares awarded, being set at the grant date market value of 506.5 pence. The maximum shares that have the potential to vest under the scheme are 453,212.

2018 DSBP
DSBP awards were granted to senior management on 18 July 2019. This award is equity-settled with the fair value of the shares awarded, being set at the grant date market value of 218.7 pence. Some awards vest two years from the grant date (the maximum number of shares that have the potential to vest under this tranche are 916,234) and 109,737 shares vest three years from the grant date.

A charge to the income statement of £2 million (including £nil million for National Insurance) has been made for the year ended 29 March 2020 in relation to all DSBP schemes (2018-19: £3 million, including £nil million credit for National Insurance).

27. Issued share capital

	At 31 March 2020 £	At 31 March 2019 £
Authorised and issued		
50,000 ordinary shares of £1 each	**50,000**	50,000
Total	**50,000**	50,000

Hedging reserve

The Hedging reserve is used to record gains and losses arising from cash flow hedges since 28 March 2005.

Other reserve

The other reserve relates to a dividend in specie received from Royal Mail Estates Limited in the form of a property transfer. This balance will be held as a separate, non-distributable reserve until the property is either sold or otherwise disposed of.

28. Dividends

Dividends on ordinary shares	52 weeks 2020 pence per share	53 weeks 2019 pence per share	52 weeks 2020 £m	53 weeks 2019 £m
Paid interim dividend	**340,000**	326,000	**170**	163
Paid interim dividend	**150,000**	160,000	**75**	80
Total dividend paid	**490,000**	486,000	**245**	243

29. Commitments

Capital commitments

The Company has commitments of £9 million (2018-19: £11 million) for property, plant and equipment, £25 million (2018-18: £7 million) for vehicles and £nil (2018-19: £3 million) for intangible assets, which are contracted for but not provided for in the financial statements.

Lease commitments

The Company has signed a conditional agreement for a lease that when completed, is expected to result in the recognition of an £80 million lease liability and right of use asset. This commitment has not been provided for in the financial statements.

30. Contingent liabilities

In October 2018, Whistl filed a damages claim against the Company at the High Court relating to Ofcom's decision of 14 August 2018, which found that the Company had abused its dominant position (see note 22). Whistl's High Court claim is on hold until after the completion of any further appeal process. The Company believe Whistl's claim is without merit and will defend it robustly if Whistl decides to pursue it.

31. Related party information

Royal Mail plc is the ultimate parent company of the Company. The Company's principal investments in subsidiaries held directly by the Company are as follows:

	Country of incorporation	% Holding	Principal activities
Principal subsidiaries			
Royal Mail Investments Limited	UK	100	Holding company
Royal Mail Estates Limited	UK	100	Property company
Royal Mail Property and Facilities Solutions Limited	UK	100	Facilities management

The above companies have a year end date of the last Sunday in March.

The principal subsidiary of Royal Mail plc that is not an investment held directly by the Company is General Logistics Systems B.V. - a holding company incorporated in the Netherlands which has investments in other operational companies based in Europe. Royal Mail Investments Limited has a 100 per cent holding in General Logistics Systems B.V.

All shareholdings are equity shares.

31. Related party information (continued)

A full list of the Company's related undertakings is included in Note 34.

Related party transactions

The Company has taken advantage of two of the exemptions conferred by FRS 101.8, whereby certain details regarding transactions with 100 per cent owned subsidiaries within the same group do not have to be disclosed where Group financial statements are publicly available and disclosures relating to key management personnel compensation are not required.

During the year, the Company entered into transactions which included administration and investment services, recharged to the Company's pension plans by Royal Mail Pensions Trustees Limited. The Company also entered into transactions with other entities within the same group but which are less than 100 per cent owned. The transactions were in the ordinary course of business. The transactions entered into and the balances outstanding at the year end were as shown below.

	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**	
	52 weeks 2020 £m	53 weeks 2019 £m	**52 weeks 2020 £m**	53 weeks 2019 £m	**At 29 March 2020 £m**	At 31 March 2019 £m	**At 29 March 2020 £m**	At 31 March 2019 £m
RMSEPP[1]	**-**	-	**-**	-	**-**	6	**-**	-
RMPP (administration and investment service recharge)	**6**	5	**-**	-	**-**	-	**-**	-
Quadrant Catering Limited	**-**	-	**7**	7	**-**	-	**1**	1
NetDespatch Limited	**-**	-	**-**	1	**-**	-	**-**	-

[1] In December 2018 the Company agreed to a loan of £7,750,000 being made from the RMSEPP escrow to the Trustees of that Plan. This facilitated completion of the purchase of a buy-in policy of insurance. This loan was unsecured and was repaid with the proceeds from the sale of Plan investments, as they were received by the Trustees. The loan was fully repaid during the reporting year.

Balances outstanding at the year end are unsecured, interest free and settlement is made by cash.

32. Events after the reporting period

Covid Corporate Financing Facility

On 30 April 2020 the Bank of England approved the application by the Company's parent company, Royal Mail plc, for the Covid Corporate Financing Facility. This provides a £600 million facility in line with other corporates of the same credit rating. This can only be drawn-down by Royal Mail plc. There have been no drawings of this facility since the balance sheet date.

Loan covenant amendment

On 24 June 2020, a covenant amendment was agreed that waived the financial covenants relating to interest (excluding arrangement fees), adjusted net debt and EBITDA until March 2022, replacing them with a quarterly minimum liquidity covenant.

33. Immediate and ultimate parent company

At 29 March 2020, the Directors regarded Royal Mail plc as the immediate and ultimate parent company. The results of the Company form part of the Royal Mail plc Annual Report and Financial Statements, which are available from www.royalmailgroup.com/results or the Company Secretary, 100 Victoria Embankment, London, EC4Y 0HQ.

34. Related undertakings of Royal Mail Group Limited

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings, the country of incorporation, registered office address and the effective percentage of equity owned, as at 29 March 2020 is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held directly by the Company or its subsidiaries.

Subsidiary undertakings

Company Name	Share Class	% held by Company
Austria		
Traunuferstrasse 105A, A-4052 Ansfelden, Austria		
General Logistics Systems Austria GmbH	Ordinary shares	100.000
Belgium		
Humaniteitslaan 233, 1620 Drogenbos, Belgium		
General Logistics Systems Belgium N.V.	€100.00 Ordinary shares	100.000
GLS Belgium Distribution S.A/N.V.	€4.27 Ordinary shares	100.000
China		
Suite 966, 9F, No.2 bldg, China Central Place, No.79, Jian Guo Rd, Chao Yang District, Beijing		
EBP Consultancy (Beijing) Co. Ltd	–	100.000
Canada		
10500, av. Ryan Dorval Quebec H9P 2T7		
Dicom Dedicated Fleet, Inc.	Common shares, no par value	100.000
1055, West Hastings Street, Suite 1700, Vancouver BC V6E 2E9		
GLS Logistics Systems Canada Ltd	Common shares, no par value	100.000
Croatia		
10010360 Popovec, Varazdinska ulica 116, Croatia		
General Logistics Systems Croatia d.o.o	Ordinary shares	100.000
Czech Republic		
Průmyslová 5619/1, 58601 Jihlava, Czech Republic		
General Logistics Systems Czech Republic s.r.o	Ordinary shares	100.000
Denmark		
Kokmose 3, 6000 Kolding, Denmark		
General Logistics Systems Denmark A/S	DKK100.00 Ordinary shares	100.000
Kokholm 13, 6000 Kolding, Denmark		
General Logistics Systems Express A/S	DKK1,000.00 Ordinary shares	100.000
Finland		
Rydöntie 6, 20360 Turku, Finland		
General Logistics Systems Finland Oy	€50.00 Ordinary shares	100.000
France		
14 Rue Michel Labrousse, CS 93730, 31037 Toulouse Cedex 01, France		
General Logistics Systems France S.A.S	€50.00 Ordinary shares	100.000
GLS Invest France S.A.S	€271.21 Ordinary shares	100.000

34. Related undertakings of Royal Mail Group Limited (continued)

Company Name	Share Class	% held by Company
Germany		
Doerrwiese 2, 36286 Neuenstein, Germany		
Der Kurier Beteiligungsgesellschaft mbH	Ordinary shares	100.000
Der Kurier GmbH & Co. KG	€2,561,572.32 Cash contribution	100.000
GLS Germany-Str. 1-7, 36286 Neuenstein, Germany		
General Logistics Systems Germany GmbH & Co. OHG	€47,968,004.75 Cash contribution	100.000
GLS IT Services GmbH	Ordinary shares	100.000
GLS Beteiligungs GmbH	Ordinary shares	100.000
GLS Verwaltungs-und Service GmbH	Ordinary shares	100.000
GLS eCom Lab GmbH	Ordinary shares	100.000
Wendenstraße 349, 20537 Hamburg, Germany		
Overnight Services GmbH Vermittlung Ueberregionaler Kurierdienste	Ordinary shares	100.000
Guernsey		
PO BOX 160, Dixcart House, St Peter Port, GY1 4EY, Guernsey		
Postcap (Guernsey) Limited	£1.00 Ordinary shares	100.000
Hungary		
GLS Europa utca 2, 2351 Alsonemedi, Hungary		
GLS General Logistics Systems Hungary Kft.	Ordinary shares	100.000
Ireland		
Unit 1 Stadium Business Park, Ballycoolin Road, Ballycoolin, Dublin, D11 DK24, Ireland		
RM Financing Operations Limited	€1.00 Ordinary shares	100.000
	€1.00 Redeemable Preference shares	100.000
RMF Operations Designated Activity Company	US$1.00 Ordinary shares	100.000
	US$1.00 Redeemable Preference shares	–
General Logistics Systems Ireland Limited	Ordinary shares	100.000
Italy		
Via Basento No. 19, 20098 San Giuliano Milanese, Italy		
Agone S.r.L	€10,000.00 Ordinary shares	100.000
General Logistics Systems Enterprise S.r.L	€1,014,000.00 Ordinary shares	100.000
General Logistics Systems Italy S.p.A.	€0.52 Ordinary shares	100.000
Gruppo Executive Societa Consortile a.r.l	€0.51 Ordinary shares	83.670
Luxembourg		
Avenue de Luxembourg, 2 a 4950 Bascharage		
General Logistics Systems Belgium S.A. Succursale de Luxembourg[1]	–	–

1 Branch of GLS Belgium. No shares are issued or held.

34. Related undertakings of Royal Mail Group Limited (continued)

Company Name	Share class	% held by Company
Netherlands		
Breguetlaan 28-30, 1438 BC Oude Meer, Netherlands		
General Logistics Systems B.V.	€100.00 Ordinary shares	100.000
Proostwetering 40, 3543 AG Utrecht, Netherlands		
General Logistics Systems Netherlands B.V.	€50.00 Ordinary shares	100.000
GLS Netherlands Holding B.V.	€0.50 Ordinary shares	100.000
GLS Netherlands Services B.V.	€50.00 Ordinary shares	100.000
Poland		
Ul. Teczowa 10, Gluchowo, 62-052 Komorniki, Poland		
General Logistics Systems Poland Spolka zo.o	PLN1,721.00 Ordinary shares	100.000
Portugal		
Rua da Bica, No. 10, 2669-608 Venda do Pinheiro, Portugal		
General Logistics Systems Portugal Lda	Ordinary shares	100.000
Romania		
106, Str. Dorobantilor, 550231 Sibiu, Romania		
GLS General Logistics Systems Romania Srl	RON4,000.00 Ordinary shares	100.000
Slovakia		
Budca 1039, 962 33 Budca, Slovakia		
GLS General Logistics Systems Slovakia s.r.o	Ordinary shares	100.000
Slovenia		
Cesta v Prod 84, 1129 Ljubljana, Slovenia		
General Logistics Systems, logisticne storitve, d.o.o.	Ordinary shares	100.000
Spain		
Avenida Fuentemar 18, 28823 Coslada, Madrid, Spain		
General Logistics Systems Spain S.A	€60.10 Ordinary shares	100.000
United Kingdom		
100 Victoria Embankment, London, EC4Y 0HQ, United Kingdom		
Angard Staffing Solutions Limited	£1.00 Ordinary shares	100.000
Intersoft Systems & Programming Limited	£1.00 Ordinary shares	100.000
Nine Elms Parkside Estate Management Company Limited[2]	£1.00 Ordinary shares	100.000
Parcelforce Limited	£1.00 Ordinary shares	100.000
Revisecatch Limited	£0.01 Ordinary shares	100.000
RM (International) Limited	£1.00 Ordinary shares	100.000
Royal Mail Courier Services Ltd	£1.00 Ordinary shares	100.000
Royal Mail Enterprises Limited	£1.00 Ordinary shares	100.000
Royal Mail Estates Limited	£1.00 Ordinary shares	100.000
Royal Mail Innovations Limited	£1.00 Ordinary shares	100.000

2 Limited by guarantee.

34. Related undertakings of Royal Mail Group Limited (continued)

Company name	Share class	% held by Company
Royal Mail Investments Limited	£1.00 Ordinary shares	100.000
RM Finance CAD Ltd	£1.00 Ordinary shares	100.000
Storefeeder Ltd	£1.00 Ordinary shares	100.000
Century House, 19 High Street, Marlow, Buckinghamshire, SL7 1AU, United Kingdom		
NetDespatch Ltd[3]	£0.001 Ordinary–A shares	69.044
	£0.001 Ordinary–B shares	16.231
	£0.001 Ordinary–C shares	4.691
	£0.001 Ordinary–D shares	10.034
Highbank House, Exchange Street, Stockport, Cheshire, SK3 0ET, United Kingdom		
RM Property and Facilities Solutions Limited (formerly Romec Limited)	£1.00 Ordinary shares	98.040
	£1.00 B shares	0.980
	£1.00 C shares	0.980
Romec Enterprises Limited	£1.00 Ordinary shares	100.000
11 Ironmonger Lane, London, EC2V 8EY, United Kingdom		
Royal Mail Pensions Trustees Limited	£1.00 Ordinary shares	100.000
USA		
1679 S. Dupont Highway, Suite 100, Dover, Delaware 19901, USA		
General Logistics Systems North America Inc.	USD 0.001 Common stock	100,000
7901 Stoneridge Drive, Suite 400, Pleasanton, CA 94588, USA		
General Logistics Systems US, Inc	1,000 Shares Common stock	100.000
3400 Capital Blvd SE 101, Tumwater, WA 98501, USA		
Postal Express, Inc.	428.57 Shares Common stock	100.000
676, N. Michigan Ave, Suite 3700, Chicago IL 60611		
Dicom JD, LLC.[4]	–	100.000
6750 South Longe Street Suite 100 Manteca, CA 95206 United States		
Mountain Valley Express co, Inc	Ordinary shares	100.000
6750 South Longe Street Suite 100 Manteca, CA 95206 United States		
MVE Supply Chain Solutions, Inc[5]	Ordinary shares	100.000

3 Sold on 31 March 2020
4 Member managed company
5 Trades under the name Mountain Valley Freight Solutions

34. Related undertakings of Royal Mail Group Limited (continued)

Associate undertakings

Company Name	Share Class	% held by Company
Australia		
Level 1, 60 Toorak Road, South Yarra, VIC 3141		
Market Engine Global Pty Limited	AUD1.00 Preference shares	34.474
United Kingdom		
Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, West Midlands, B45 9PZ, United Kingdom		
Quadrant Catering Limited	£1.00 Ordinary-A shares	51.000
70 Margaret Street, London, W1W 8SS, United Kingdom		
JICMAIL Limited[6]	–	20.000

Investments

Company Name	Share Class	% held by Company
United Kingdom		
Hayweight House, 5th Floor, 23 Lauriston Street, Edinburgh, Scotland, EH3 9DQ, United Kingdom		
Mallzee Ltd	£0.01 Ordinary shares	19.500
Aviva, Wellington Row, York, North Yorkshire, YO90,1WR		
Voyager Park South Management Company Limited[6]	Ordinary shares	5.500

6 Limited by guarantee.

Corporate information

Registered Office and Group Head Office
Royal Mail Group Limited
100 Victoria Embankment
LONDON
EC4Y 0HQ
020 7250 2888
Registered No: 04138203